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Evaluation of Project PRIME management improvements.

Teaford, Sidney Jean

George Washington University

Sidney Jean Teaford.

EVALUATION OF PROJECT PRIME MANAGEMENT IMPROVEMENTS.

EVALUATION OF PROJECT PRIME

MANAGEMENT IMPROVEMENTS

By

Sidney Jean Teaford

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Thesis directed by

William Gaynor Wells, Jr.

Associate Professional Lecturer in
Business Administration

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INTRODUCTION

Project PRIME (an acronym for Priority Management Efforts) is a short title for a series of actions concerned with programming, budgeting, and management accounting developed by Robert N. Anthony, the Assistant Secretary of Defense (Comptroller). As such, it is a distinct, identifiable part of the Resources Management Systems effort of the Department of Defense, but only a part both in timing and content. Its focus is on two main objectives: (1) the integration of programming, budgeting, and management accounting--meaning that the information used in these three systems will be entirely consistent; and (2) the development of more meaningful information on the consumption of operating resources (as opposed to investment resources).[1]

The development of Project PRIME is actually a continuation of efforts begun as far back as 1949. In that year and the one following, foundations for the Defense Department's financial management systems were laid by amendments to the National Security Act and by the Budget and Accounting Procedures Act, growing out of the first Hoover Commission Recommendations. In 1956 Wilfred J. McNeil, the first Comptroller of the Defense Department, worked out a conceptual scheme called a "Performance Type Budget," which provides a basis for the concepts of Project PRIME.[2]

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[1] U.S., Department of Defense, A Primer on Project PRIME (Washington, D.C., April, 1967), p. 1.

[2] Ibid., p. 2.

Management improvements seem indicated from the developments cited above and from the very strong claims made by Charles Hitch, the former Assistant Secretary of Defense (Comptroller):

> . . . we have provided for the Secretary of Defense and his principal military and civilian advisors a system which brings together at one place and at one time all of the relevant information that they need to make sound decisions on the forward program and to control the execution of that program. And we have provided the necessary flexibility in the form of a program change control system. Now, for the first time, the largest business in the world has a comprehensive Defense Department-wide plan that extends more than one year into the future. And it is a realistic and responsible one--programming not only the forces, but also the men, equipment, supplies, installations, and budget dollars required to support them. Budgets are in balance with programs, programs with force requirements, force requirements with military missions, and military missions with national security objectives. And the total budget dollars required by the plan for future years do not exceed the Secretary's responsible opinion of what is necessary and fessible.[1]

With this management tool at his command, the Secretary of Defense is now in a better position to carry out the responsibilities assigned to him by the National Security Act, namely, to exercise "direction, authority, and control over the Department of Defense"--and without another major reorganization of the defense establishment.[2]

Response to Project PRIME has been varied and is subject to considerable resistance in certain quarters of government. The Comptroller General, for example, is charged with the responsibility of approving accounting systems. However, since 1950 he has in fact approved only one, that covering the civil functions of the Corps of Engineers. Whether Project PRIME will eventually conform to the Comptroller General's standards remains to be seen.

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[1]Charles Hitch, Decision Making for Defense (Berkeley: University of California Press, 1965), p. 97 39.

[2]Ibid.

Congress is skeptical of Project PRIME to the point that it directed that no changes in the budgeting and accounting system be authorized until further large scale tests are conducted and proven satisfactory. Specifically, Congress requires that Project PRIME: (1) meet the requirements of all applicable laws governing budgeting, accounting, and the administration of public funds and the standards and procedures established pursuant thereto; (2) provide for uniform application throughout the Department of Defense, and (3) will prevent violations of the Anti-Deficiency Statute (R.S. 3679; 31 USC 665).[1]

Thus, the arena for Project PRIME has very forceful opponents on each side. This paper will examine the history of government budgeting with particular emphasis on recent field tests of Project PRIME. The major question to be considered is: Will Project PRIME fully achieve the management improvements articulated by the Department of Defense? Closely allied to the primary question are these subsidiary questions. Will Project PRIME meet the needs of managers: (1) Provide systematic programs, including a definition of alternatives, and selection of the best alternative; (2) Translate programs into budgets in an integrated, consistent fashion; (3) Specify responsibility for a mission or service in terms of organizational units; (4) Measure actual performance against planned performance; (5) Relate resources consumed to work done; (6) Provide recurring, quantitative information regarding actual results of activities to managers at appropriate levels; and (7) Provide reliability and consistent accuracy in data?

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[1] U.S., Congress, Senate, Committee on Government Operations, Planning, Programming and Budgeting (Washington, D.C.: Government Printing Office, 1967), pp. 62-63.

CHAPTER I

THE DEVELOPMENT OF THE MODERN BUDGET SYSTEM

Early Financial Practices, 1789-1909

The budget system of Great Britain was not fully developed at the time of the American Revolution; hence there was no practical British method which could be followed by the framers of the Constitution. A major result was that the Constitution requires only this: "No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time."[1] Beyond this the Constitution requires only that all revenue measures must originate in the House of Representatives.[2]

The requirement for financial reporting was elaborated in the statute establishing the Treasury Department, which made it the specific duty of the Secretary of the Treasury "to prepare and report estimates of the public revenue, and the public expenditures . . ."[3] This was supplemented in 1800 by a statute directing the Secretary "to digest, prepare, and lay before Congress . . . a report on the subject of finance, containing estimates of the

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[1]U.S., Constitution, Art. I, sec. 9.

[2]For a description of early financial practices, see Charles Bullock, "The Finances of the United States from 1775 to 1789," Bulletin of the University of Wisconsin, Vol. I, June, 1895, pp. 117-273.

[3]Jesse Burkhead, Government Budgeting (New York: John Wiley and Sons, Inc., 1963), p. 9.

public revenue and public expenditures, and plans for improving or increasing the revenues . . ."[1]

In these formative years, Alexander Hamilton assumed a strong executive leadership in all financial matters and prepared estimates of need for expenditures and revenues. As Henry Jones Ford has written:

> In the beginning all branches of the government were bunched together in their quarters so that intercourse was ready and easy without formal arrangements, and the brief notices of the direct presence of cabinet officials appearing in the records give an inadequate notion of the real extent of the intimacy. It was by direct, personal administrative initiative that the government was set in operation. Only by such agency could the finances have received the radical treatment by which Hamilton almost at a stroke lifted the nation out of bankruptcy, established its credit and secured its revenues. . . His personal initiative transcended even the function of an English Chancellor of Exchequer on which it was distinctly modeled, for he had no other compact party on which he could depend.[2]

In the early years the House of Representatives exercised its functions of criticism and control through a committee of the whole. In the case of appropriations, after discussion had been held, a specific committee was appointed to bring in a bill incorporating the views expressed by the Committee. However, by 1796 the House procedure was changed. A Committee on Ways and Means was appointed, which was made a permanent standing committee in 1802. This marked the end of continuous executive direction of government's finances. During Jefferson's reign the separation of Cabinet officials from the day-to-day work of Congress was made complete. Direct oral communication between the two branches of government gave way to written communication. Executive influence in legislation came to operate through and upon the

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[1] Ibid.

[2] Henry Jones Ford, "Budget Making and the Work of Government," The Annuals, November, 1915, pp. 4-5.

developing committee structure of the Congress, and the executive lost much of its former initiative in the legislative process. Friction in financial matters between the Administration and the Congress increased, centering very often on the use of detailed appropriations to restrict executive discretion.[1]

With the emergence of organized political parties, executive influence on legislation came to be exercised by the President in his capacity as leader of a political party as well as in his capacity as head of the executive agencies of government. Some critics have viewed this enlarged role of the Presidency as a development which was not foreseen by the Constitution's fathers and as antithetical to their views.[2] In addition, there is evidence that some of the original members of the House felt that the Constitution required the executive's role in financial affairs to be one of reporting only, and that all proposals which were to be a "project of law" were to originate with Congress.[3] Nevertheless, it was upon this expanded concept of the Presidency that the budget system eventually came to depend.

From 1802 to 1865 both appropriation and revenue authority were concentrated in the House Committee on Ways and Means. During this period the Secretary of the Treasury continued to present his annual report, and at the beginning of each session of the Congress, a Book of Estimates setting forth the expenditure requirements of the various departments and agencies. The Secretary's function was primarily clerical. He classified the expenditure proposals and transmitted them to the Congress. He did not criticize, alter,

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[1]Arthur Smithies, The Budgetary Process in the United States (New York: McGraw-Hill Book Company, 1955), pp. 53-54.

[2]Ford, The Annuals, pp. 5-9.

[3]Henry Carter Adams, The Science of Finance (New York: Henry Holt and Company, 1898), p. 104.

reduce or coordinate the requests. Neither did the Cabinet serve as an agency for financial planning.

During this period the House Ways and Means Committee served as a planning mechanism, at least to the extent of providing an occasion for a comprehensive view of the state of the government's finances. This view emerged, however, only as one department after another had been heard. But beginning in 1865 a separate House Appropriations Committee was established, and thereafter such unity as had prevailed in Congressional review of the budget began to be dissipated.[1]

The period of extreme laxity in federal finance extended from about 1880 to 1909. This was the period when the major financial problem faced by the Congress was the annual disposition of the large surpluses brought in by the tariff. This period of financial affairs did not make for a rigid executive or legislative control over expenditures. It is not difficult to appreciate that a large number of Congressmen were anxious to increase the number of standing committees with authority over the expenditure of funds so easy to acquire. Neither is it difficult to understand that this period of Congressional history was characterized by extreme irresponsibility and wasteful extravagance in the form of ill-disguised raids on the Treasury. As one critic said, "The remarkable thing is not that the system breeds corruption, but that it should work at all."[2]

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[1] Vincent J. Browne, The Control of the Public Budget (Washington, D.C.: Public Affairs Press, 1949), pp. 50-73.

[2] Henry Jones Ford, The Cost of Our National Government (New York: Columbia University Press, 1910), p. 60.

Congressional extravagances during the period were matched only by the profligacy of the executive departments. The practice developed of incurring "coercive deficiencies." Speaking of this, Wilmerding states:

> The departments governed their expenditures by the amounts of the estimates rather than by the amounts of the grants. If in any case less were granted than was estimated, the department or bureau affected, instead of revising its plan for the coming year to bring them within the financial limits of the reduced appropriation, continued them without change in perfect confidence that Congress would appropriate supplementary sums when they were requested rather than stop the service.[1]

The Taft Commission on Efficiency and Economy, 1908-1912

Two types of pressures converged on the national administration with the inauguration of President Taft in 1909. The first developed from the state of national finances, which, even for this prosperous nation, came to border on crisis. The surpluses of earlier administrations were not as persistent after 1894. Deficits were incurred in two of the four years of President Theodore Roosevelt's second term. In the first year that President Taft was in the White House, the deficit was $89 million in a total budget of $694 million. Federal expenditures were running between $300 and $400 million in the 1890's. By 1909 they were nearly $700 million.[2]

Not all of these increases in expenditure were traceable to graft and corruption. A much larger part of the increase was due to expanded government functions and to outlays occasioned by the Spanish-American War.

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[1]Lucius Wilmerding, Jr., The Spending Power (New Haven: Yale University Press, 1943), p. 140.

[2]U.S., Department of Commerce, Bureau of the Census, Historical Statistics of the United States, 1789-1945 (Washington, D.C., 1949), pp. 296-299.

A second set of pressures came from the antipathy to the graft and corruption itself. A number of the persons who had directed their crusading zeal against the malpractices of local government directed a similar zeal against laxness in Federal administration and corruption in Congress.

The combination of these pressures began to produce some results. On March 4, 1909 an amendment to the Sundry Civil Appropriations Act provided that if appropriations exceeded revenues, the Secretary of the Treasury should immediately advise the Congress as to how appropriations could be reduced or additional taxes levied.[1]

However, there is no evidence that the Secretary of the Treasury ever acted in conformity with this directive. On March 22, 1909, the Senate appointed a special committee to investigate the deficits. It reported that:

> . . . the application to the business of the government of improvements in systems and methods similar to those which have produced the high degree of business efficiency in the great business corporations of the country will result in the saving of many millions of dollars annually and in a much higher degree of efficiency in the conduct of government business.[2]

In December 1909 President Taft requested an appropriation of $100,000 ". . . to enable the President to inquire into the methods of transacting the public business. . ."[3] This request was granted by Congress on June 25, 1910, and immediately thereafter the President appointed the Commission on Economy and Efficiency.

The Commission conceived its responsibilities broadly and for two years undertook investigations of (1) the budget as an annual financial

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[1]Burkhead, Government Budgeting, p. 18.

[2]Ford, The Cost of Our National Government, p. 105.

[3]Burkhead, Government Budgeting, p. 18.

program, (2) the organization and activities of the federal government, (3) personnel problems, (4) financial records and accounts, and (5) business practices and procedures in the government. One of the first things that the Commission did was to secure information from federal departments and agencies classifying expenditures according to objects purchased, such as personal services, materials, supplies, and equipment. On the basis of discussion with department heads and in consultation with the President, the Commission prepared a set of forms to be used by departments in the submission of annual budgetary data. In addition, the Commission prepared an organization chart of federal government activity, the first that had ever been devised, and made numerous studies of overlapping and duplicating operations within the government.

On January 17, 1912 President Taft sent to Congress a message on Economy and Efficiency in the Government Service.[1] On June 27, 1912, the report of the Commission on The Need for a National Budget was transmitted.[2] These two documents were of great significance in the development of the budget system in the federal government and were of almost equal importance in the improvement of specific government management procedures. This was the first time in the history of the federal government that its organizational structure had been studied in detail, and the first time that detailed information had been assembled on the character of governmental expenditures. Of even greater significance was the fact that these documents represented an

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[1]U.S., Commission on Economy and Efficiency, The Need For a National Budget, House Document No. 854, 62nd Cong., 2nd sess., 1912, pp. 4-5.

[2]Ibid., p. 18.

assumption of responsibility by the Chief Executive for financial planning and for the management of the business of the government.

President Taft's message was devoted to a description of the conditions which had called forth the Commission on Economy and Efficiency, a discussion of the work of the Commission, and the transmission of the organizational chart which they had prepared. Throughout the document Taft stressed the importance of establishing a national budget system as an instrument of executive management and control.

The report of the Commission on The Need for a National Budget was a similar broad-guaged document. The Commission's report portrayed the budget as serving a number of purposes--a document for Congressional action, an instrument of control and management by the Chief Executive, and a basis for the administration of departments and agencies.

The Commission pointed out that the administrator's responsibilities could be implemented only when budget expenditures were classified in accordance with the activities undertaken by departments and agencies. To this end, the pro forma budget incorporated in the report included an itemization of activity schedules as subdivisions of departmental and agency expenditures.

A significant point of concern to the Commission was the constitutional issue--how a budget system would fit into a governmental structure based on the separation of powers. In considering this point the Commission suggested that the budget system was based on the constitutional theory of trusteeship. The government is the trust instrument; government officials are the trustees. Citizens, in their sovereign capacity, are the beneficiaries and creators of the trust. The President, as the principal government official, must be responsible for the budget. He should submit the budget message

and the summary statements. The heads of departments and agencies should transmit data to the President; the President should have responsibility for prescribing the form of accounts. The Secretary of the Treasury should assist the President in discharging these obligations. The President's responsibility runs not only to the Congress, but to the public at large. The budget is the only effective means whereby the President can be made responsible for getting a definite, well-considered, comprehensive program before the people.[1]

Unfortunately for the development of the budget system, the Congress did not undertake serious consideration of the President's recommendations. The elections of 1912 resulted in defeat for President Taft and no action was taken by Congress on his new budget and budget message.

In spite of the fact that the work of the Commission on Economy and Efficiency led to no immediate legislation, it had appreciable long-run value. The prestige of the Commission and the strong interest of the President made budgeting an issue of national significance. Eventually, the work of the Commission contributed greatly to the passage of the Budget and Accounting Act of 1921.

The Budget and Accounting Act of 1921

The Budget and Accounting Act of 1921 was the combined product of a strong retrenchment movement directed toward the federal government and a reform movement designed to make all government more responsible and responsive. The Congress became as much interested in accounting control as a means to economy as in the establishment of an executive budget office. Budget execution came to be regarded at least as significant as budget formulation.

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[1] *Ibid.*

The national budget system eventually became law under President Harding who said this was: "The greatest reformation in governmental practices since the beginning of the Republic."[1] From this beginning management improvement was viewed as an important role of government in the budgetary process.

Performance Budgeting, 1939-1955

During the early New Deal years the government shifted budget emphasis from expenditure control to a management orientation. This new concept was termed performance budgeting and made its mark in the reform of the appropriation structure, development of management improvement and work measurement programs, and the focusing of budget preparation on the work and activities of the agencies.

The rapid growth of government activities and expenditures made it more difficult and costly for central officials to keep track of the myriad objects in the budget. With expansion, the bits and pieces into which the objects were itemized became less and less significant, while the aggregate of activities performed became more significant. With expansion, there was heightened need for central management of the incohesive sprawl of administrative agencies.[2]

The climb in activities and expenditures also signaled radical changes in the role of the budget system. As long as government was considered a necessary evil and there was little recognition of the social value of public expenditures, the main function of budgeting was to keep spending in check.

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[1] Burkhead, Government Budgeting, p. 27.

[2] Allen Schick, "The Road to PPB: The Stages of Budget Reform," Public Administration Review, Vol. XXVI, No. 4 (December, 1966), p. 249.

Because the outputs were deemed to be of limited and fixed value, it made sense to use the budget for central control over inputs. However, as the work and accomplishments of public agencies came to be regarded as benefits, the task of budgeting was redefined as the effective marshalling of fiscal and organizational resources for the attainment of benefits. This new posture focused attention on the problems of managing large programs and organizations, and on the opportunities for using the budget to extend executive harmony over the dispersed administrative structure.

In 1937 the President's Committee on Administrative Management castigated the routinized, control-minded approach of the Bureau of Budget and urged that budgeting be used to coordinate Federal activities under presidential leadership. With its transfer in 1939 from the Treasury to the newly created Executive Office of the President, the Bureau was on its way to becoming the leading management arm of the Federal Government. The Bureau's own staff was increased tenfold; it developed administrative management and statistical coordination functions; and it installed apportionment procedures for budget execution. Executive Order 8248 directed the Bureau:

> To keep the President informed of the progress of activities by agencies of the Government with respect to work proposed, work actually initiated, and work completed, together with the relative timing of work between the several agencies of the Government; all to the end that the work programs of the several agencies of the executive branch of the Government may be coordinated and that the monies appropriated by the Congress may be expended in the most economical manner possible to prevent overlapping and duplication of effort.[1]

Accompanying the growing management use of the budget process for the appraisal and improvement of administrative performance and the scientific management movement were far more relevant applications of managerial cost

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[1] Ibid., p. 250.

accounting to government operations. Government agencies sought to devise performance standards and the rudimentary techniques of work measurement were introduced in several agencies including the Forest Service and the Census Bureau.[1] Various professional associations developed grading systems to assess administrative performance as well as the need for public services. These crude and unscientific methods were the forerunners of more sophisticated and objective techniques.

At the close of World War II, the management orientation was entrenched in all but one aspect of Federal budgeting--the classification of expenditures. Except in isolated cases, the traditional object accounts were retained though the control function had receded in importance. In 1949 the Hoover Commission called for alterations in budget classifications consistent with the management orientation. It recommended that the whole budgetary concept of the Federal Government be refashioned by the adoption of a budget based upon functions, activities, and projects.[2] To bring out this idea, the Commission gave a new label--performance budgeting--to what had long been known as functional or activity budgeting.

In 1949 a further step was taken in the amendments to the National Security Act. This legislation was significant as an expression of congressional approval for performance budgeting. The Act provided that the budget estimates of the Department of Defense: ". . . shall be prepared, presented, and justified, where practicable, and authorized programs shall be administered, in such form and manner as the Secretary of Defense, subject to the

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[1]Public Administration Service, The Work Unit in Federal Administration (Chicago: 1937), p. 32.

[2]U.S., Commission on Organization of the Executive Branch of the Government, Budgeting and Accounting (Washington: 1949), p. 8.

authority and direction, may determine, so as to account for, and report, the cost of performance of readily identifiable functional program and activities with segregation of operating and capital programs."[1] Its significance was enhanced by the establishment of the comptroller function in the armed forces, with assignment responsibility for implementing the budget reclassification.

The Budget and Accounting Procedures Act of 1950 further encouraged the extension of performance budgeting in the federal government.[2] Performance budgeting was thus developed to emphasize what the government does, rather than the things which the government buys. The focus was to show the nature of government programs or accomplishments under those programs.

The second Hoover Commission on the Organization of the Executive Branch of Government reviewed and praised the progress that had been made in the development of performance budgeting and recommended that further steps be taken in this direction. The major recommendations included: (1) That the executive budget continue to be based on functions, activities and projects but be redesignated as a program budget; (2) That cost-based operating budgets be used to determine fund allocations, such budgets to be supplemented by periodic reports on performance; (3) That accounts be kept on an accrual basis; (4) That the Department of Defense report military pay as an element of cost of support activities of an administrative or service nature.[3]

The Committees on Government Operations supported the second Hoover Commission and certain of these recommendations were adopted in 1956 as Public Law 863, amending the Budget and Accounting Procedures Act of 1950.[4]

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[1]Burkhead, Government Budgeting, pp. 135-136.

[2]Ibid., pp. 258-261.

[3]Ibid., pp. 285-286.

[4]Ibid., p. 286.

The Planning-Programming-Budgeting System, 1961-1967

Budgetary reform in the United States has evolved through three distinct stages, the last of which is associated with the contemporary Planning-Programming-Budgeting System (PPBS). In the initial stage, the primary emphasis was on central control of spending and the budget was utilized to guard against administrative abuses. The detailed classification of objects of expenditure was the main control mechanism. The second stage was management-oriented. It was concerned with the efficient performance of work and prescribed activities. The performance budget, officially introduced by the Hoover Commission, was the major contribution of the management orientation. The third stage is reflected in the planning orientation of the new PPB system. It had its roots in Keynesian economics and the new technology of systems analysis.[1]

The major experiment with the PPBS began in the Department of Defense in 1961. On August 25, 1965, President Johnson initiated the PPBS throughout the Executive Branch, to be supervised by the Bureau of the Budget. The PPBS was designed to enable the government to: (1) Develop its objectives and goals, precisely and carefully; (2) Evaluate each of its programs to meet these objectives, weighing the benefits against the costs; (3) Examine, in every case, alternative means of achieving these objectives; and (4) Shape its budget request on the basis of this analysis, and justify that request in the context of a long range program and financial plan.[2]

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[1] Schick, Public Administration Review, p. 243.

[2] U.S., President, Public Papers of the Presidents of the United States (Washington, D.C.: Office of the Federal Register, National Archives and Record Service, 1965), p. 34.

The foregoing broadly indicates the evolution of PPBS in the Federal Government. The major elements of programming in 1961-1965 were these: (1) A Department of Defense Five-Year Force Structure and Financial Program consisting of projections of force, manpower, and dollar requirements for approved programs on weapon and support systems; (2) A process for review and approval by the Secretary of Defense and his military and civilian advisors of program-change proposals (PCP's) by the military departments; (3) Preceding annual budget formulation, a method for reviewing and changing the five year program; (4) Emphasis in the annual reviews and in PCP submissions on supporting studies in the form of systems analysis; (5) For approved programs, submission of force and manpower level forecasts and cost projections by the military department after each calendar quarter; and (6) Progress reporting by the military departments in both physical and financial terms as a basis for control of actual performance in accordance with the program.[1]

1. These elements of the Five-Year Force Structure and Financial Program were grouped into eight major programs: strategic retaliatory forces, airlift and sealift, reserve and guard forces, continental defense forces, general-purpose forces, research and development, general support, and military assistance. In addition there was separate funding of retired pay. The forces of the first two programs were treated simultaneously in Defense analysis of general nuclear war, in recognition that the strategic forces also make a contribution to the "damage limiting mission of the continental defense forces." Elements of the reserve and guard were reviewed in the mission packages that they support as well as in the reserve and guard program as a separate entity.

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[1]Stephen Enke, Defense Management (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1967), p. 32.

The program elements (nearly 1,000 in all) represented the alternative or complementary means that should logically be evaluated in conjunction with one another, regardless of the particular military department involved. Some program elements were these: Titan Intercontinental Ballistic Missile, infantry division, destroyers and Army port terminals. Within a major program, program elements were grouped into several aggregations. For the strategic retaliatory forces these were: aircraft forces, missile forces, and command, control, and communications systems and support.

2. PCP's were to be submitted at any time during the year when changes to the official five-year program were desired or anticipated which exceeded threshold levels according to a multiplicity of criteria established for program-element dollar levels, force units, and manpower. One threshold criteria, for example, was the addition of a new-equipment item exceeding in investment cost the amount of $10 million in the first program year or $25 million over the entire duration of the program. The use of threshold criteria is an obvious application of management by exception.

Anticipation of changes exceeding threshold levels required the military departments to review their programs frequently.

Simplified PCP's were used to record the five-year program decisions already made by the Secretary of Defense or to note certain minor changes. Budget and manpower decision documents that were in use before the inauguration of the programming system continued to be used when only the current and budget years were affected.

The emphasis on functional reviews in such fields as intelligence, command and control, transportation, medical services, and procurement and supply programs further reduced the use of PCP's.

3. The method of reviewing and changing the Five-Year Program included: (1) an annual review of changes in the military-force structure proposed in the Joint Strategic Objectives Plan of the Joint Chiefs of Staff; (2) Secretary of Defense force guidance to the military departments at about the beginning of April based on this review; (3) formal PCP's by the military departments in April, May, and June, predicated on the Secretary's tentatively approved force structure, and (4) review and approval of the PCP's by the Secretary of Defense and his military and civilian advisors. The aim was to complete this phase by the end of August, in order to provide the military departments with an approved program upon which to base their budgets. Budget estimates are submitted by the military departments in early October, and the Defense budget is prepared by mid-December. Figure 1 presents a schema of this cycle in 1965 for preparation of the FY 1967 program and budget.

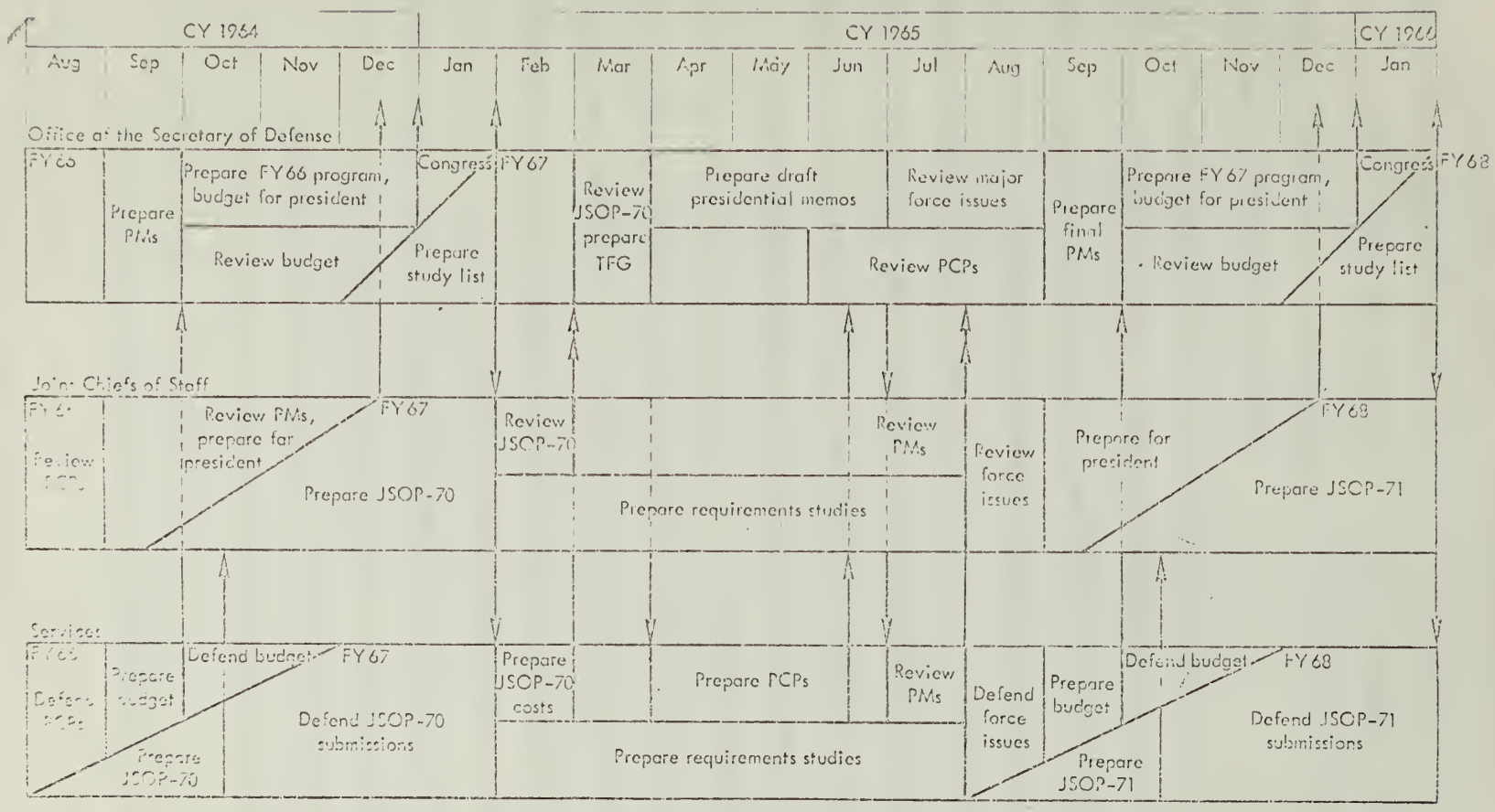
4. These supporting studies in the form of systems analyses were prepared by study groups located in the Joint Staff, the military departments, and various contractor organizations. Some study subjects have been: the number of strategic bombers and missiles needed in the next decade for priority targets, the requirements for airlift and sealift, and the comparative advantages and costs of refurbishing existing items of ground equipment, replacing them with new equipment, or pushing ahead on development of better equipment.

An indication of the importance accorded to systems was the 1965 creation in OSD of an Assistant Secretary for Systems Analysis, charged with review of studies prepared by other elements of the defense establishment, and improvement of their quality. Appropriately enough, the office was organized into teams of analysts by major program.

Figure 1

Department of Defense Program-Budget
Process for Preparation of FY 1967 Budget

Source: Stephen Enke, Defense Management (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1967), p. 12.


CY 1964
CY 1965
CY 1966
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Office of the Secretary of Defense
FY66
Prepare PMs
Prepare FY66 program, budget for president
Review budget
Congress
Prepare study list
FY67
Review JSOP-70 prepare TFG
Prepare draft presidential memos
Review major force issues
Review PCPs
Prepare final PMs
Prepare FY67 program, budget for president
Review budget
Congress
Prepare study list
FY68
Joint Chiefs of Staff
FY66
Review PMs, prepare for president
FY67
Prepare JSOP-70
Review JSOP-70
Prepare requirements studies
Review PMs
Review force issues
Prepare for president
FY68
Prepare JSOP-71
Services
FY66
Prepare budget
Prepare JSOP-70
Defend budget
FY67
Defend JSOP-70 submissions
Prepare JSOP-70 costs
Prepare requirements studies
Prepare PCPs
Review PMs
Defend force issues
Prepare budget
Prepare JSOP-71
Defend budget
FY68
Defend JSOP-71 submissions

5. For approved programs, submission of force and manpower-level forecasts and cost projections by the military department after each calendar quarter. These reflected decisions on program changes, current year reprogramming, and various minor changes. The update for the December quarter picked up budget-review decisions.

Forces were projected for eight years, manpower and costs for five years. To reflect the major phases of the weapon cycle, costs were categorized as research and development, investment, and operating. This categorization plainly displayed the costs involved in a decision to produce and deploy a weapon system, as contrasted with the cost of its development. Costs were also stated in terms relatable to budget-appropriation accounts, thus making it easier to translate programming to budgeting decisions.

Programming-budgeting correlation was enhanced by the use in programming of the same financial measure as in budgeting-total obligational authority; budgeting requires in addition the determination of requirements for new obligational authority to augment prior-year funds already available. Although the use of obligation rather than cost figures was not in accordance with the second Hoover Commission recommendations on cost-based budgeting and accrual accounting, subsequently adopted in Public Law 84-863, the feasibility of a programming operation was increased by conforming to budget usage.[1]

6. Progress reporting by the military departments in both physical and financial terms as a basis for control of actual performance. This was the least developed part of the programming system.

The major differences between programming and pre-1961 budgeting were these:[2]

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[1]Stephen Enke, Defense Management, p. 34.

[2]Ibid., pp. 34-35.

[illegible]

1. Programming emphasized the products of defense activity, such as an armored division, whereas budgeting was in terms of appropriations, such as procurement, military personnel, and operation and maintenance.

2. The structure in programming permitted analysis of competitive or complementary programs (for example, Minuteman and Polaris missile systems) without direct concern with service roles and missions. Competition was engendered on a program by program basis within borad mission areas rather than on a service share of the budget basis.

3. In programming there was a longer-term view than in budgeting. The objective in programming was to determine the total cost implications of current approvals; this is particularly significant for missile systems and other major hardware programs involving research and development, investment, and operating costs over a period of five to ten or more years.

4. Central to the programming approach was the encouragement of thinking on alternative program possibilities; new programs competed with the old. In budgeting there tended to be a concentration on the justification for change--established programs and levels were carried along from year to year with relatively little justification required. From time to time there were efforts made in budgeting to get a "zero base," in which it was assumed that past expenditures of funds did not create a justification for future expenditures. The complexities of budgetary costing generally defeated such efforts.

5. In programming, physical and financial data were secured and maintained on a program by program basis, thus facilitating the application of systems analysis; in budgeting, military requirements were generally developed by military planners for the force as a whole and translated into dollars.

This budgeting practice made especially difficult the marginal analysis by program, a principal feature of systems analysis.

6. Programming emphasized the rational aspects of decision making; budgeting, the tactical aspects of obtaining funds.

7. Programming decisions were made over a longer period of time than were budget decisions. The periodicity of budget formulation, however, led to a similar periodicity in programming submission and review, though ostensibly not to the hectic rush characteristic of the final weeks of budget review (this is not always completely true in actual practice).

The programming system, with its attendant emphasis on systems analysis, provided the factors that C. J. Hitch and other protagonists considered necessary for the making of the crucial decision, particularly decisions on forces and weapons. These factors include knowledge about the availability of alternatives in terms of their military worth in relation to their cost, projections of costs over a period of years, and data organized in terms of programs. The process proved especially effective in regard to the planning and control of advanced-technology weapon systems (missiles, aircraft, command and control systems, and so on).

Through this system "budgets are balanced with force requirements, force requirements with military missions, and military missions with national security objectives."[1] Although budgets may have been in balance with Defense programs as approved by the Secretary of Defense, they did not cover all the programs advanced by the services; thus differences of opinion as to the adequacy of budget levels remain significant.

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[1]Hitch, Decision Making for Defense, p. 107.

Although generally successful, the Defense programming system has had some shortcomings:[1]

1. Data generation and review and approval procedures of the combined programming-budgeting process were excessively burdensome. A complex programming process had been superimposed on a budgeting process that itself had long been in need of major improvements.

2. The translation of program decisions to budget terms, and budget decisions to program terms, was in some areas difficult to accomplish either quickly or accurately because of structural differences and data limitations. Specifically, the translation is difficult because programs are expressed in terms of missions (outputs) whereas budgets are expressed in terms of resources (inputs). Figure 2 illustrates the differences in budget terms and program terms. A related program existed in the follow-through on programming decisions at the several stages of implementation.

3. Cost estimates for some program elements were limited in accuracy, involving many prorations and redistributions.

4. The programming structure, little changed from the form in which it had originally been introduced, proved less than fully suitable.

In summary, PPBS is a planning orientation which departs from the earlier, now outmoded, Federal budget design that was shaped by the desire to safeguard appropriations. This system should aid the government in deciding how to allocate scarce resources efficiently among the over-increasing number of competing activities with which Federal decision makers are faced.

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[1]Enke, Defense Management, p. 37.

Although [illegible] Sociology, the Marxian [illegible] [illegible] [illegible]

Figure 2

Air Force Operating Costs 1966
Program and Budget

Source: U.S., Department of Defense, A Primer on Project PRIME (Washington, D.C., April, 1967), p. 11.

($ Million)

PROGRAM WAVELENGTH	
STRATEGIC	$ 3,452
GENERAL PURPOSE	2,944
AIRLIFT	934
RESERVE AND GUARD	600
GENERAL SUPPORT:	
LOGISTICS SUPPORT	1,473
TRAINING	1,026
FAMILY HOUSING	210
MEDICAL SERVICES	386
COMMAND AND GENERAL	753
OTHER	745
	$12,522

BUDGET WAVELENGTH	
MILITARY PERSONNEL	$ 4,841
RESERVE AND GUARD PERSONNEL	144
OPERATIONS AND MAINTENANCE:	
AIR NATIONAL GUARD	247
FUEL AND OIL	509
LOGISTICS SUPPORT	1,813
TRAINING SUPPORT	342
FAMILY HOUSING	210
MEDICAL SUPPORT	158
SERVICEWIDE SUPPORT	472
OPERATIONAL SUPPORT	1,679
OTHER °	2,107
	$12,522

° Primarily operating costs financed from procurement.

CHAPTER II

THE NATURE OF THE PROJECT PRIME SYSTEM

The Scope of Project PRIME

The Department of Defense has further developed financial management systems to include the operating management of resources. This effort is identified as the Resources Management Systems and is focused on: (1) Resources (manpower, real property, weapons,--equipment, services, materials, and supplies); (2) Management of such resources (planning, budgeting, acquisition, use, consumption, storage, and disposition); and (3) Systems (they involve recurring, orderly cycles of planning, reporting, and feedback information).[1] Figure 3 depicts the DOD management process.

Project PRIME (an acronym for Priority Management Efforts), as noted earlier, is the name given to that part of the Resource Management Systems which seeks to revise the programming system, the budgeting system, and the management accounting system so that they will be more useful to managers at all levels.[2] Project PRIME was to have been implemented on 1 July 1967 but has been deferred by Congress to provide additional time for adequate system development.

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[1]U.S., Department of Defense, A Primer on Project PRIME (Washington, D.C., April, 1967), p. 7.

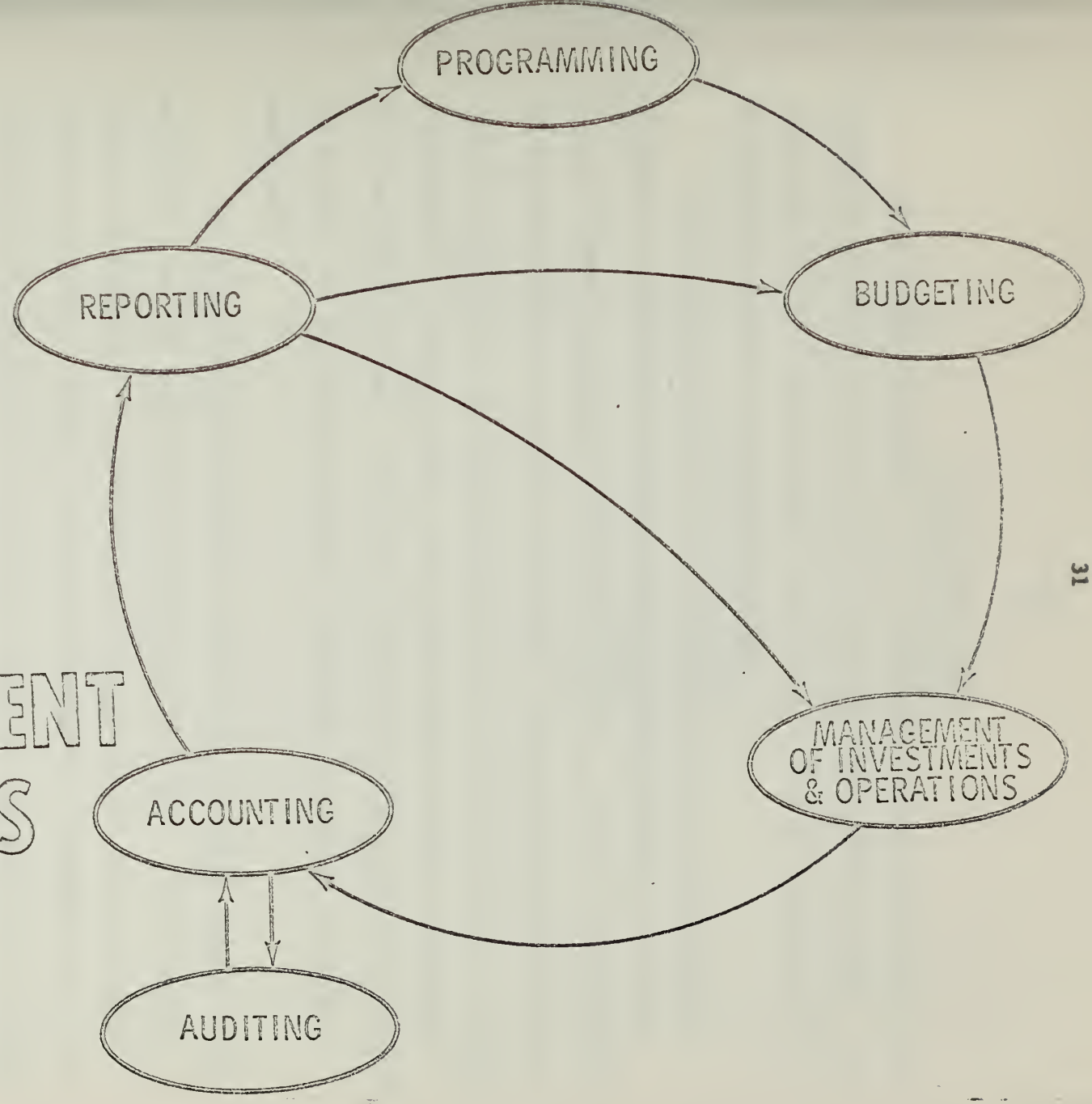
[2]Ibid., p. 13.

Figure 3

Department of Defense Management Process

Source: U.S., Department of Defense, A Primer on Project PRIME (Washington, D.C., April, 1967), p. 8.

DOD MANAGEMENT PROCESS



Programming System

As discussed in Chapter I, the programming system established in the Department of Defense in 1961 was titled the Five Year Defense Program. This system permitted cost/effectiveness analysis and a means of assigning resources to different parts of the defense program.

The experience gained thus far indicates that five points are of substantial importance in improving the DOD programming system: (1) Distinguish between independent and dependent programs, or between force-related and support programs; (2) Show in the program a great amount of detail for a long period ahead for the independent portions, but less detail for the dependent portion; (3) Show the total cost of decisions to reflect both capital costs and operating costs; (4) Focus on expenses for the operating portion of the program; and (5) Tie the program to budgeting, accounting, and actual management.[1]

To accomplish these objectives Project PRIME includes changes in two categories: program structure and programming procedures. The structure changes are designed to provide better program categories and to establish program priorities. Costing is basically divided into investment costs for procurement and construction and operating costs for organizational entities, e.g., squadrons, battalions, etc.[2] Figure 4 illustrates the distribution of the 1965 program. As can be seen, the principle changes occur in the so-called dependent programs which are now closely aligned with discrete organizational functions.

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[1]U.S., Department of Defense, A Primer on Project PRIME (Washington, D.C., April, 1967), pp. 26-28.

[2]Ibid., p. 29.

Figure 4

Department of Defense Revised Program Structure

Source: U.S., Department of Defense, A Primer on Project PRIME (Washington, D.C., April, 1967), p. 34.

Department of Defense Revised Program Structure

Distribution of 1965 Program

Former			Revised	
Title	Billions	Program Number	Title	Billions
Strategic Retaliatory Forces	$ 5.3	1	Strategic Forces	$ 7.2
Cont. Air Missile Defense Forces	1.7	2	General Purpose Forces	18.2
General Purpose Forces	18.8	3	Specialized Activities	1.5
Airlift/Sealift Forces	1.5	4	Airlift/Sealift	1.9
Reserve and Guard Forces	2.0	5	Guard and Reserve Forces	2.0
Research and Development	5.0	6	Research and Development	5.0
General Support	14.4	7	Logistics	5.4
Retired Pay	1.4	8	Personnel Support	5.9
Military Assistance	1.3	9	Administrative	3.1
			Military Assistance	1.3
	$51.4			$51.4

The major programming procedure changes include: (1) A procedure to isolate and permit resolution of key issues of the Major Force Oriented Issues early in the decision-making cycle; and (2) Modifications in the Program Change Request (PCR) procedure to facilitate submission of PCR's when there is a need for a decision that cannot be deferred until the next annual cycle (the term Program Change Proposals noted in Chapter I has been superseded by the term Program Change Request).

Budgeting System

The Department of Defense budget is submitted to Congress in five categories: military personnel, operation and maintenance, procurement, construction, and research and development.

Project PRIME introduces several changes in the budgeting process in addition to the revised program/budget/account structure. The significant changes include: (1) Uniform functional classifications below the program element level; (2) The basic distinction between independent and dependent programs will determine the timing of review; and (3) Discontinuing the prorating of shared operational support costs, in combination with the uniform account structure, will provide a measurable cost basis for the formulation of programs/budgets. Figure 5 shows examples of the revised structure. Also, it is hoped that the Congress will endorse a single operations appropriation to enable the use of one single system of accounts for appropriation down to the ultimate user.[1]

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[1] *Ibid.*, pp. 42-43.

Figure 5

Department of Defense Uniform
Expense Account Structure

Source: U.S., Department of Defense, A Primer on Project PRIME (Washington, D.C., April, 1967), p. 61.

Department of Defense,
Uniform Expense Account Structure

Structure	Examples
A. Program Elements	B-52 Squadrons Base Operations (offensive)
B. Functional Categories	1. Mission Operations 2. Supply Operations 3. Maintenance of Materiel 4. Property Disposal 5. Medical Operations 6. Overseas Dependent Education 7. Personnel Support 8. Base Services 9. Operation of Utilities 10. Maintenance of Real Property 11. Minor Construction 12. Other Engineering Support 13. Administration
C. Elements of Expense	1. Military Personnel 2. Military Trainees 3. Military Unassigned 4. Civilian Personnel 5. Travel of Personnel 6. Transportation of Things 7. Utilities and Rents 8. Communications 9. Purchased Equipment Maintenance 10. Printing and Reproduction 11. Other Purchased Services 12. Aircraft POL 13. Ship POL 14. Other Supplies 15. Equipment 16. Other Expense 17. Service Credits

Accounting System

The existing accounting systems are focused on funds allotted without any attempt to account for cost of resources used, when they are used, or to relate these costs to work done. Thus the total costs of a program can only be estimated.

The basic accounting system change in Project PRIME is to shift to expense accounting. This transition represents an evolution from the economics-oriented approach of C. A. Hitch, the former Assistant Secretary of Defense (Comptroller), to his successor R. N. Anthony, who is oriented to a financial management approach. The major changes involved are: (1) Charge the cost of military personnel to the program or unit where they work; (2) Separation of expense (current consumption) items from investment (long lived, capital) items; (3) Extension of working capital funds so that operating expense accounts reflect only the expense of items consumed; and (4) Development of a uniform expense accounting structure to provide a common basis among military departments to report expense by operating expense budget entity, program elements, functional activities, and types of resources consumed.[1]

It is planned that the operating expense report will be a principal tool for management control. Actual costs can be compared to budgeted costs and variances highlighted. At the unit level responsibility centers will be provided budgets and reports for management control. The rationale in determining what is an expense or investment item is contained in Figure 6.

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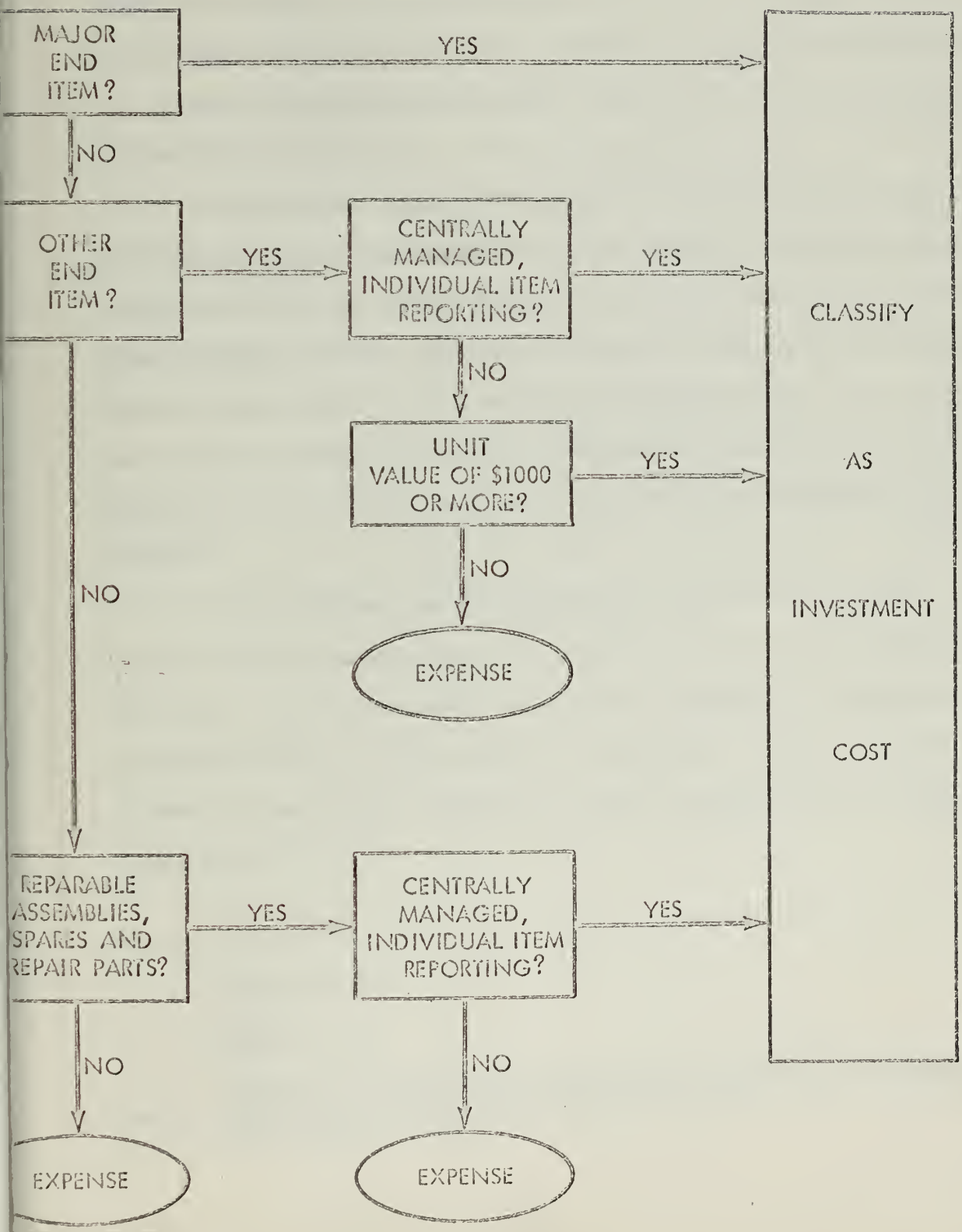
[1] *Ibid.*, p. 62.

Figure 6

Department of Defense
Investment Cost Decision Diagram

Source: U.S., Department of Defense, A Primer on Project PRIME (Washington, D.C., April, 1967), p. 55.

INVESTMENT COST DECISION DIAGRAM



Aid to Managers

The manager's role in operations is essentially to see that his assigned job gets done well and at a minimum cost. The changes in the new system are intended to facilitate this job. They are meant to support operating managers throughout the chain of command. The system designer builds the system, but the operating manager uses it; this is the fundamental distinction.[1]

Project PRIME changes should give the manager a much better basis from which to make budget estimates. Most important among the changes is the inclusion of the full measurable cost of operating activities in the operating expense budget. Now the manager will know just what it costs to operate his activity, and will be able to measure the program effects of an increase or decrease in his level of activity. This should assist him in deciding to expand or contract his effort, and in supporting those decisions quantitatively.[2]

The new system permits flexibility in the use of resources. The managers should be encouraged to think about the best balance between military personnel, civilian personnel, and contract personnel, or the optimum degree of mechanization in a wide variety of situations. With the financial segregations that now exist, managers have little incentive for investigating such alternatives.[3]

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[1] Ibid., p. 65.

[2] Ibid., p. 67.

[3] Robert N. Anthony, "Will PRIME Close the Resources Management Loop?," Armed Forces Management, June, 1967, p. 47.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

With Project PRIME there should be a tendency to move in the direction of control of aggregates and away from control by bits and pieces. As time goes on, there should be less emphasis on individual items of expense--less detailed control of manpower, and less detailed consumption rules for example--and more emphasis on expenses as a whole.[1]

Finally, Project PRIME should motivate managers to be more concerned about the use of resources. Managers do need to know how efficiently their subordinates are performing their assigned missions and the new system should help them learn this. It should, moreover, motivate managers to be more concerned with the wise use of resources, and therefore lessen the need for exhortation, inspection, specified constraints, and other devices that are now used as a substitute for a built-in motivation.[2]

As discussed earlier Project PRIME was scheduled for implementation on 1 July, 1967. During FY 1967, the three military services conducted tests to determine how to implement the expense accounting system; the Navy portion of this test program will be discussed in the next chapter.

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[1] Ibid.

[2] Ibid., p. 48.

[illegible]

[illegible]

[illegible]

CHAPTER III

MILITARY SERVICE TESTS OF PROJECT PRIME, FY 1967

The Department of Defense conducted military service tests of Project PRIME during FY 1967 on a limited basis. The Air Force test, called Project FIRM, was conducted at Laughlin Air Force Base in Texas, the Navy test was conducted at the Naval Air Station, Quonset Point, Rhode Island, and the Army test was conducted at Fort Carson, Colorado. Only the Navy test will be discussed in this paper.

Navy Project PRIME Test, FY 1967

The selected concepts tests at the Naval Air Station, Quonset Point, Rhode Island were: (1) Substituting, at the station, a single allotment--Expense Operating Budget (EOB) for all operations and maintenance activities encompassing the O&MN, APA, and MPN appropriations and budget projects; (2) Accounting for, and reporting on, resource consumption within the single EOB on an accrual expense basis; (3) Relating the accrued expenses of resources consumed to mission performance through locally identified and defined statistical work measurement units; (4) Budgeting and charging for services rendered by a significant service unit on the station and consumed by other organizations on the station; and (5) Maintaining multiple allotment obligation accounting records at a higher command level.[1]

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[1]Peat, Marwick, Livingston and Company, Report on Resources Management System at NAS Quonset Point, Rhode Island (Washington, D.C., 31 January 1967), pp. 1-2.

The test incorporated five major innovations relative to conventional allotment accounting, budgeting, and reporting for the operation and maintenance of selected air station activities. These innovations were: (1) Orientation of expense accounting and budgeting to station management organization rather than to appropriation lines; (2) Inclusion of all consumable operating resources in the budgeting/accounting/reporting process; (3) Use of independent work measurement factors as an index of financial performance; (4) Use of an accrual basis in accounting and budgeting, including a working capital fund concept to hold out-of-period costs in suspense and to reflect receivables/payables cut-offs; and (5) Total integration of budgeting/accounting/reporting information on data processing equipment.[1] The expense operating budget and performance statement formats are shown in Figures 7 and 8.

The following table illustrates the lack of total control of resources managed locally under the old system:[2]

Naval Air Station, Quonset Point
($000 Omitted)

	Funded	%	Total
Personnel	$10,730	54%	$19,726
Material	$ 1,403	21%	$ 6,696
Services	$ 3,945	100%	$ 3,945
Total	$16,078	53%	$30,367

Of the changes effected by the EOB, the restructuring of budgeting, accounting, and reporting to an organizational basis was particularly

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[1] Ibid., p. 7.

[2] Robert N. Anthony, "Will PRIME Close the Resources Management Loop," Armed Forces Management, June, 1967, p. 46.

Figure 7

NAS Quonset Point, Rhode Island
Expense Operating Budget

Source: U.S., Department of the Navy, Office of the Comptroller, NAVSO P-3006, May, 1967, p. 6-18.

NAVCOMPT FORM 2158 (12-66)
S/N 0104-306-0010

NAVCOMPT 7000

EXPENSE OPERATING BUDGET
(7000)

APPROPRIATION DATA	COST CENTER	☐ DETAIL	☒ SUMMARY	☐ BUDGET	☒ REPORT	LOB IDENTIFICATION	FOR PERIOD ENDING
17X1852.2020						127	31 Dec 1967

FROM	TO	LOB APPROVED FOR	REPORTING FISCAL OFFICER (Signature and rank)
Naval Air Station Quonset Point, R. I. LIB 127	COMNAVAIRLANT Norva, Va.	Naval Air Station Quonset Point, R. I.	

BUDGET CLASSIFICATION		WORK UNITS	MAN-HOURS		EXPENSES					
CODE	TITLE		MILITARY	CIVILIAN	MILITARY SERVICES	MILITARY TRANSFERS FROM OTHER RESPONSIBILITY CENTERS	CIVILIAN LABOR	MATERIAL	OTHER	TOTAL
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2	CONTROLLER		70,880	162,981	197,263 00		665,751 00	11,100 00	4,360 00	878,474 00
1	IN OPERATIONS		659,465	23,018	1,943,513 00	400 00	91,300 00	414,864 00	13,690 00	2,463,767 00
	TOTAL COST CENTER EXPENSES		730,345	185,999	2,140,776 00	400 00	757,051 00	425,964 00	18,050 00	3,342,241 00
	LESS:									
	REIMBURSABLE			2,091	3,000 00		10,720 00	4,550 00	250,050 00	268,320 00
	STATISTICAL EXPENSES				2,137,776 00	400 00		200 00		2,138,376 00
	TOTAL DEDUCTIONS				2,140,776 00	400 00	10,720 00	4,750 00	250,050 00	2,406,696 00
	NET EXPENSES			183,908	-0-	-0-	746,331 00	421,214 00	(232,000 00)	935,545 00
	PLUS:									
	CHANGES IN UNFILLED ORDERS (INCREASE)								15,000 00	15,000 00
	NET EOB						746,313 00	421,214 00	(217,000 00)	950,545 00

Figure 8

NAS Quonset Point, Rhode Island
Performance Statement

Source: U.S., Department of the Navy, Office of the Comptroller, NAVSO P-3006, May, 1967, p. 6-21.

(7000)

OPERATIONS DATA	COST CENTER	☐ DETAIL	☒ SUMMARY	FOR PERIOD ENDING	FOR FISCAL YEAR %
1301901.602P				31 Dec 1967	127

FROM:	TO:	FOR APPROVAL FOR:	REPORTING FIS. A. OFF. OR SIGNATURE OF REP.
Naval Air Station Quonset Point, R. I. U.I.C 127	COMNAVAIRLANT Norfolk, Va.	Naval Air Station Quonset Point, R. I. U.I.C. 127	DATE 8 Jan 1968

BUDGET CLASSIFICATION		WORK UNITS			EXPENSES		
CODE	TITLE	ACTUAL	ANNUAL BUDGET	NORM ____ % % TO BUDGET	ACTUAL	ANNUAL BUDGET	NORM ____ % % TO BUDGET
(1)	(2)	(3)	(4)	(5)	(6)	(7)	8
C	Comptroller				878,474.00	1,720,200.00	51
L	Air Operation				2,463,767.00	4,857,800.00	50
	Total Cost Center Expenses				3,342,241.00	6,580,100.00	50
	LESS:						
	Reimbursable				268,320.00	536,000.00	50
	Statistical Expenses				2,138,376.00	4,167,970.00	51
	Total Deductions				2,406,696.00	4,703,970.00	
	Net Expenses				935,545.00	1,876,130.00	
	PLUS:						
	Changes in Unfilled Orders (increase)				15,000.00	40,000.00	51
	NET EOB				950,545.00	1,916,130.00	

significant. Because it had no direct relevance to the station's operating control structure, the previous system of budget project funding tended to consolidate financial responsibility and authority at the command level. By taking the station's internal structure, rather than its relationship to higher authority levels, as its primary point of departure, the EOB provides a framework through which responsibility and authority can be divided into manageable, centrally controlled pieces, with an immediate result that can be measured in terms of broader comprehension of, and participation in the stations financial management process.[1]

The concept of full costing of resources had two principal impacts: (1) emphasis was placed on controlling expenses, as opposed to obligations; and (2) consumption resources (expense elements) were freely interchangeable to effect the most efficient and economical mix to achieve workload accomplishment.

Approximately forty per cent of the station's effort, on a dollar basis was converted to an acceptable work measurement structure and approximately twenty per cent was not suitable for this type of measurement. The balance of measurable activity, approximately twenty-five per cent, requires a review to determine whether a more appropriate basis exists; fifteen per cent was not measured.

All EOB transactions were converted to an accrual basis, which was fundamental to a proper matching of costs and work performance. This conversion did not significantly change NAS Quonset Point's accounting procedures.

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[1]Peat, Marwick, Livingston and Company, pp. 8-9.

[2]<u>Ibid</u>., p. 19.

Approximately eighty-two per cent of EOB expenses previously had been accounted for on an accrual basis.

Complete integration of budgeting/accounting/reporting information on data processing equipment was effectively accomplished. In meeting the system parameters, data processing completely mechanized all input to the cost ledgers and all budget/actual comparison reports. Month-end closing time was reduced by approximately one week. Eventually, this automation may increase the availability of Comptroller Department personnel for performing analytic as opposed to paper processing functions.[1]

However, viewing the test from the organizational level of the Commanding Officer, it was evident that many of the planning and management decisions affecting NAS Quonset Point workload were influenced by higher levels of authority. Moreover, there existed many directives, memos, and operating procedures, both internal and external to the Navy, that seriously restricted the Commanding Officer's ability to reduce expenses rapidly when workload diminished. Similar restrictions prohibited him from reallocating resources between cost centers as their respective workload fluctuated. A few examples follow:[2]

- Carrier and squadron deployment to or from the station caused the primary fluctuation in department workloads and was determined by other commands.

- Civilian payroll and personnel ceilings were established by the Air Systems Command.

- The workload level of the Supply Department was primarily governed by squadron deployment, O&R activity levels, and South East Asia demands. Even the level of activity in the O&R Department was negotiated or established by commands external to the station.

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[1] Ibid., pp. 24-25.

[2] Ibid., pp. 33-34.

- Enlisted personnel with certain ratings, such as quartermaster or gunners mate, must be assigned to specific duties.

- Sixty days notice was required to release civilian personnel who, in turn, had seniority rights to qualify for other positions. Thus, it was difficult to attain quick turnaround time in reducing civilian personnel expenses when workloads decreased.

- Quotas were established elsewhere for staffing such personnel as those of the Youth Corps.

- It was necessary to screen civilian availability lists provided by discontinued activities in the process of employing additional personnel.

- Prices of consumable materials were established elsewhere, and the Commanding Officer was usually not in a position to negotiate them.

Within the framework of this test environment one of the most basic needs was a summary document--a Management Report--to highlight financial position, performance variances and current and future operating trends. This management data is a summary "talking" document and complements the EOB reports.[1] An example of this Management Report is shown in the Appendix.

The Department of Defense was aware that the job of testing was not complete, and that many obstacles remained, but nonetheless rushed for implementation on 1 July, 1967. However, during June 1967, Congress became aware of the incomplete testing and voiced strong disapproval of Project PRIME and directed the Department of Defense to further test and improve the system during Fiscal Year 1968--as will be discussed in the next chapter.[2]

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[1] Ibid., pp. 25-26.

[2] U.S., Congress, House, Committee on Appropriations, Resources Management System, H. Rept. 349, 90th Cong., 1st sess., June 9, 1967, p. 3.

CHAPTER IV

CONGRESSIONAL CRITICISMS OF PROJECT PRIME

Inadequate System Field Tests

On June 9, 1967 the House Committee on Appropriations decided that the Project PRIME system should not be implemented as planned on 1 July, 1967. One of the major reasons for this decision was that the Fiscal Year 1967 tests had been conducted on a small scale and each service used different principles in testing.[1]

On 4 August, 1967 the Senate Committee on Appropriations concurred with the House action and directed that no funds be authorized to implement Project PRIME.[2] The House and Senate agreed that Project PRIME should be tested further not to exceed one major command per military Service. The Congress thus felt that with a year's test experience on a larger and more uniform sample, the Department would be better equipped to justify a change if such were to be proposed, but not earlier than Fiscal Year 1969.

Loss of Control in Large Appropriations

In April 1967 the Defense Comptroller, Mr. Anthony, prepared a draft of a proposed change in appropriation structure to conform to program

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[1] Ibid.

[2] U.S., Congress, Senate, Committee on Appropriations, Resources Management System, S. Rept. 494, 90th Cong., 1st sess., August 4, 1967, p. 22.

categories. This proposal met with considerable Congressional resistance and was never formally submitted.[1]

On August 18, 1967 Senator Stennis made a strong stand on this issue in favor of continuing the existing appropriation categories, e.g., pay and allowances, operating forces, etc. He felt that the proposed system would cause Congress to lose control in such large appropriations. Also, Senator Jackson indicated that he and others favored the existing appropriation categories for review and control of the Defense budget. The climate in Congress seemed to be that they did not want any quick drastic changes to their normal way of reviewing budget requests.[2]

Adequacy of Accounting and Budgeting Systems

On August 21, 1967 the Congress amended H.R. 10738 to require that the Comptroller General, after consultation with the Director of the Bureau of the Budget, certify that the Resources Management Systems, Project PRIME meet three specific standards before they are tested, installed, or utilized. The three standards are: (1) Does the system meet the requirements of applicable laws with respect to the budgeting, accounting and administration of funds?; (2) Is the system designed and developed for uniform application throughout the Department of Defense?; (3) Is the system adequate to provide for a strict enforcement of the anti-deficiency statute?[3]

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[1]U.S., Congress, Senate, Subcommittee on National Security and International Operations of the Committee on Government Operations, Hearings on Planning-Programming-Budgeting, 90th Cong., 1st sess. (Washington, D.C.: Government Printing Office, August 23, 1967), p. 62.

[2]Ibid., p. 62.

[3]Ibid., p. 63.

[illegible] [illegible] [illegible] [

This action reflected the concern of Senator Stennis that Congress should not endorse the Project PRIME system without further system development. The strong language used in H.R. 10738 makes it clear that Congress intends to resolve all major uncertainties prior to implementation.

Too Much Too Soon

The House Committee on Appropriations seemed to sum up the feeling of Congress on the subject of Project PRIME--too much too soon. Congress felt that while it was true that changes in the budget and accounting system should be accomplished, this massive change would temporarily diminish Congressional control and did not permit adequate Congressional expression.[1]

Congress will consider approval of the new system for the 1969 budget if the system is certified by the Comptroller General and reported favorably to Congress by May 15, 1968. In this regard it is interesting to note that the GAO has approved of only one system in the last thirteen years, that covering the civil functions of the Corps of Engineers. With this background it is not at all certain just when GAO will approve the Resources Management System, Project PRIME.[2]

---

[1]U.S., Congress, House, Committee on Appropriations, Resources Management System, H. Rept. 349, 90th Cong., 1st sess., June 9, 1967, p. 3.

[2]U.S., Congress, Senate Subcommittee on National Security and International Operations of the Committee on Government Operations, Hearings on Planning-Programming-Budgeting, 90th Cong., 1st sess. (Washington, D.C.: Government Printing Office, August 23, 1967), p. 63.

CHAPTER V

MILITARY SERVICE TESTS OF PROJECT PRIME, FY 1968

As has been described in the previous chapter, Project PRIME effort received a temporary setback by Congress in June, 1967, but fortunately authority was provided to continue the tests on a larger scale during FY 1968 to gain additional operating experience and system refinement.[1] Accordingly, the Department of Defense designated service tests at the following commands: the Sixth Army; the Naval Air Training Command (CNATRA); the Marine Corps Schools, Quantico; and the Air Force Training Command. As in Chapter III, only the Navy test will be examined in this paper.

Navy Project PRIME Test, FY 1968

The selection of the Naval Air Training Command located at the Pensacola Naval Air Station as a test site was made because it is at the suballocation level and is a major claimant for funds from the Chief of Naval Operations (CNO). Figure 9 outlines the CNATRA command, resources, and program elements. Figures 10 and 11 illustrate the CNATRA budget and fund flow. The command lines for funding within CNATRA are shown in Figures 12 through 14. Figures 15 and 16 depict the OSD and Navy test site funding concepts.[2]

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[1]Robert N. Anthony, "We Must Minimize the Financial Risks," Armed Forces Management, October, 1967, pp. 103-104.

[2]Naval Air Training Command, Resources Management Handbook, P-700/1, 21 January 1968, pp. 4-12.

Figure 9

Naval Air Training Command
Pensacola, Florida

Navy Resources Management System
Test Command Organization

Source: Naval Air Training Command, RMS Handbook, Pensacola, Florida, January, 1968, p. 14.

NAVY FMS TEST

TEST COMMAND

Naval Air Training Command less Naval Air Reserve Training Command.

ORGANIZATIONAL ENTITIES INVOLVED

	Headquarters	Activities	Squadrons	Total
CNATRA	1	-	-	1
CNABATRA	1	8	10	19
CNAVANTRA	1	4	10	15
CNATECHTRA	1	13	-	14
TOTALS	4	25	20	49

RESOURCES (ESTIMATE)

O and MN	95,000,000
Military Pay	161,000,000
APA Material	113,000,000
TOTAL	369,000,000

PROGRAM ELEMENTS

81112N	Specialized Training Navy
81112M	Specialized Training Marines
81114N	Flight Training Navy
81114M	Flight Training Marines
88098N	Command and Staff

Figure 10

Naval Air Training Command
Pensacola, Florida

Budget Flow

Source: Naval Air Training Command, RMS Handbook, Pensacola, Florida, January, 1968, p. 15.

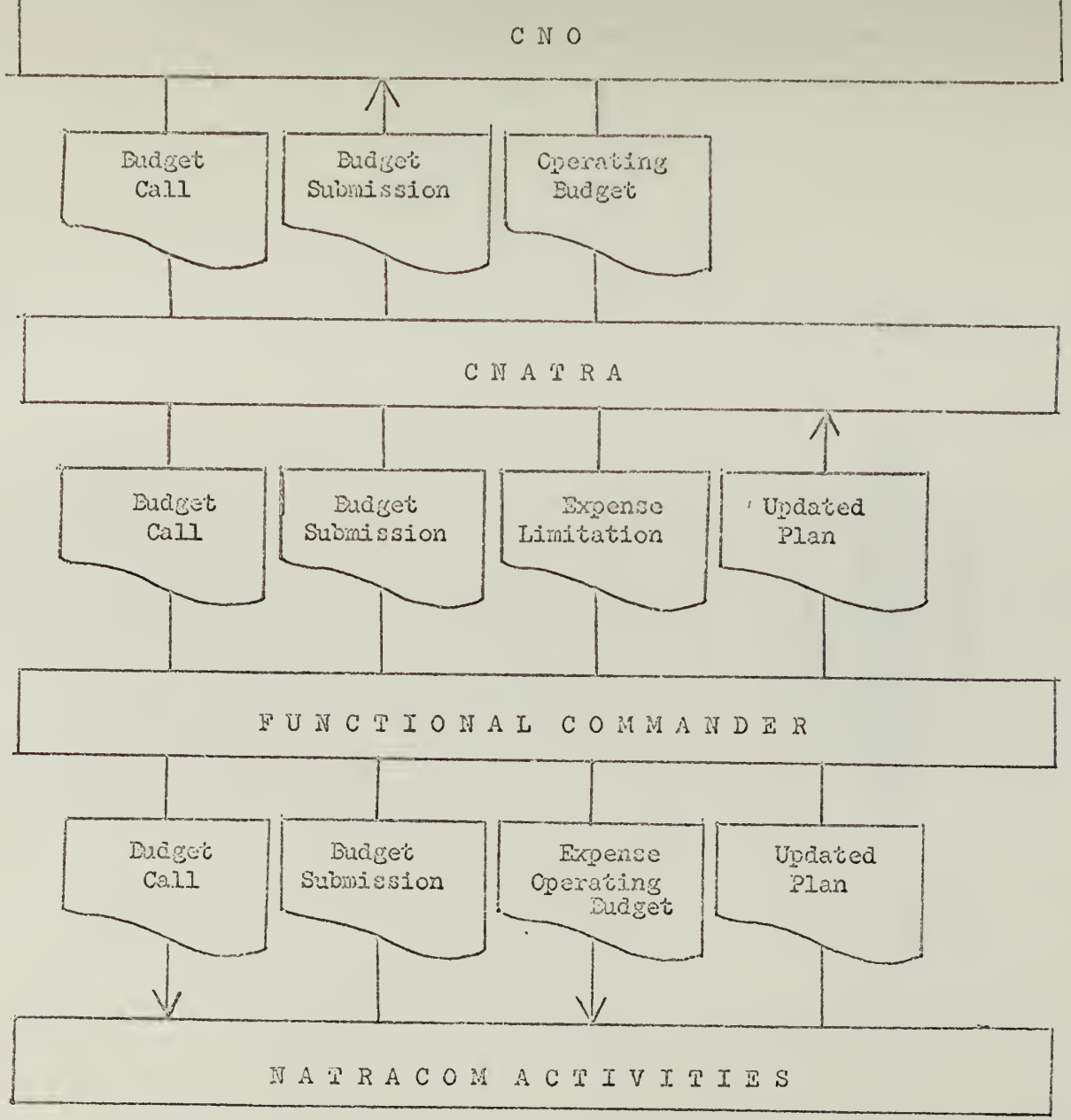

CNO
Budget Call
Budget Submission
Operating Budget
CNATRA
Budget Call
Budget Submission
Expense Limitation
Updated Plan
FUNCTIONAL COMMANDER
Budget Call
Budget Submission
Expense Operating Budget
Updated Plan
NATRACOM ACTIVITIES

Figure 11

Naval Air Training Command
Pensacola, Florida

Fund Flow

Source: Naval Air Training Command, RMS Handbook, Pensacola, Florida, January, 1968, p. 16.

FUNDFLOW

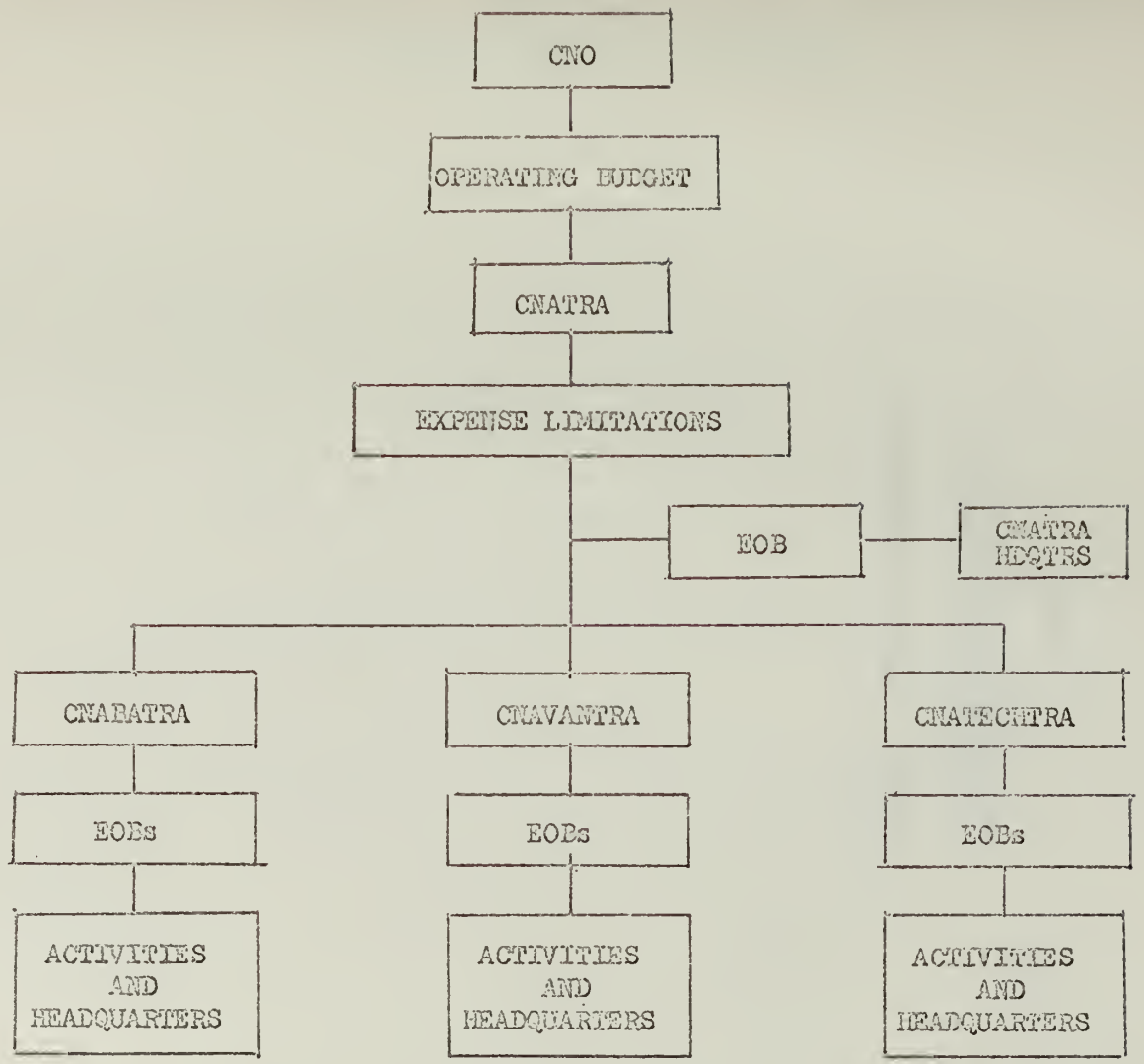

CNO
OPERATING BUDGET
CNATRA
EXPENSE LIMITATIONS
EOB
CNATRA HEQTRS
CNARATRA
CNAVANTRA
CNATECHTRA
EOBs
EOBs
EOBs
ACTIVITIES AND HEADQUARTERS
ACTIVITIES AND HEADQUARTERS
ACTIVITIES AND HEADQUARTERS

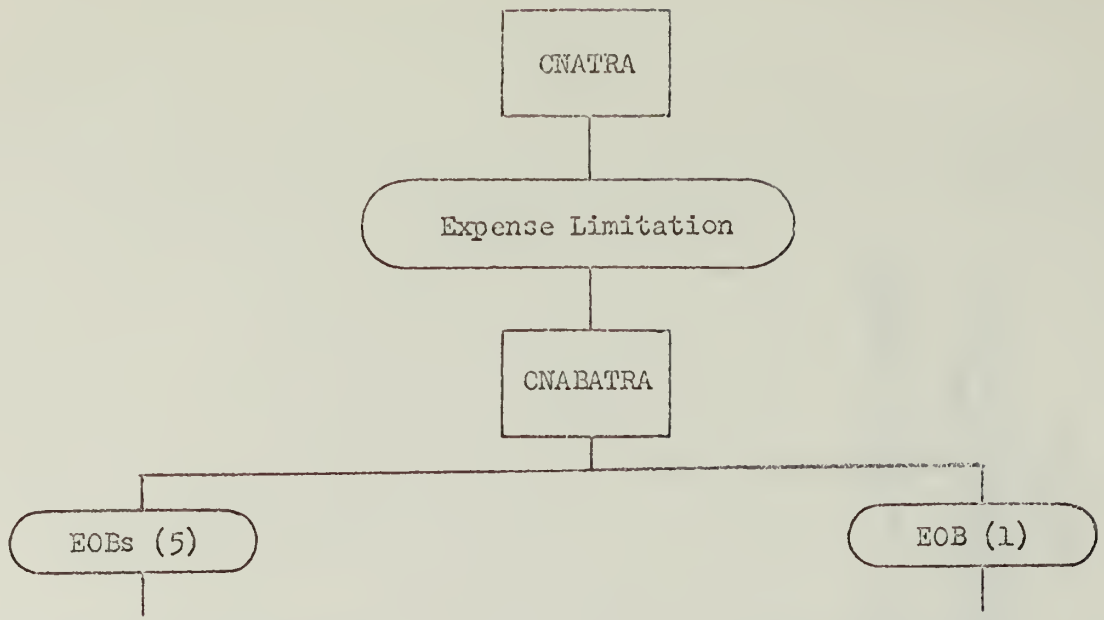
Figure 12

Naval Air Training Command
Pensacola, Florida

NATRACOM Fund Flow - CNABATRA

Source: Naval Air Training Command, RMS Handbook, Pensacola, Florida, January, 1968, p. 17.

NATRACOM FUND FLOW - CNABATRA



Responsibility Centers (EOBs)

NAS Pensacola
NAAS Meridian
NAAS Saufley Field
NAAS Whiting Field
NAAS Ellyson Field

Headquarters EOB

Cost Centers

Headquarters	TRARON 7
TRARON 1	HELTRARON 8
TRARON 2	TRARON 9
TRARON 3	TRARON 10
TRARON 4	NAVAVNSCOLCOM
TRARON 5	NAVAVNMUSEUM
TRARON 6	MAD Pensacola

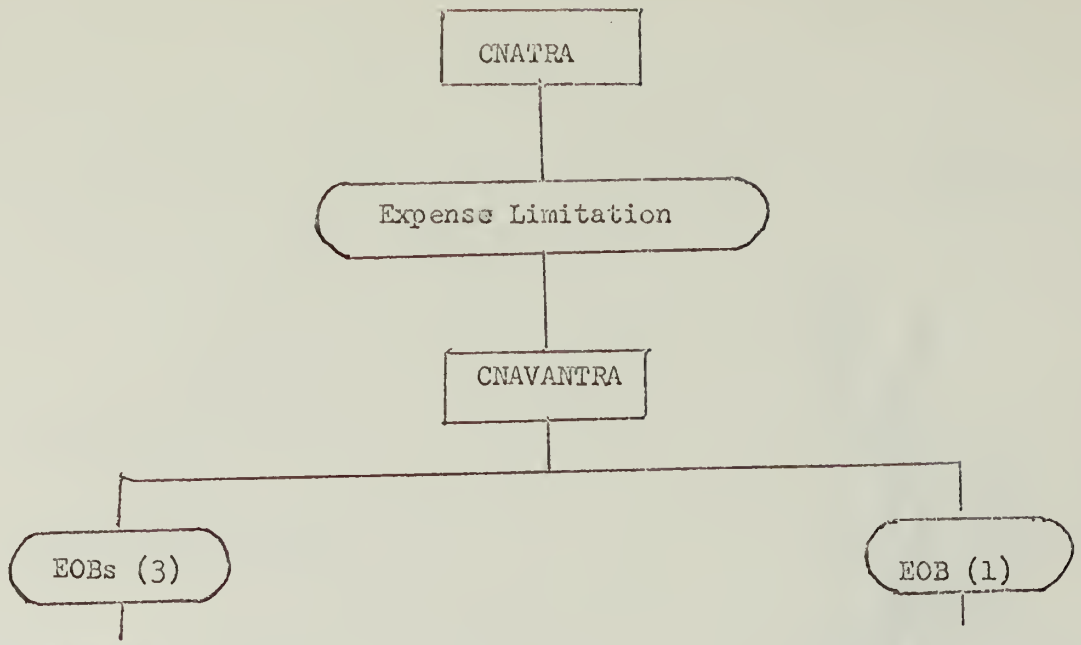
Figure 13

Naval Air Training Command
Pensacola, Florida

NATRACOM Fund Flow - CNAVANTRA

Source: Naval Air Training Command, RMS Handbook, Pensacola, Florida, January, 1968, p. 18.

NATRACOM FUND FLOW - CNAVANTRA



Responsibility Centers (EOBs)

NAS Corpus Christi
NAAS Chase Field
NAAS Kingsville

Cost Centers

Departments

Headquarters EOB

Cost Centers

Headquarters
TRARON 21
TRARON 22
TRARON 23
TRARON 24
TRARON 25
TRARON 26
TRARON 27
TRARON 28
TRARON 29
TRARON 31
MAD Corpus Christi

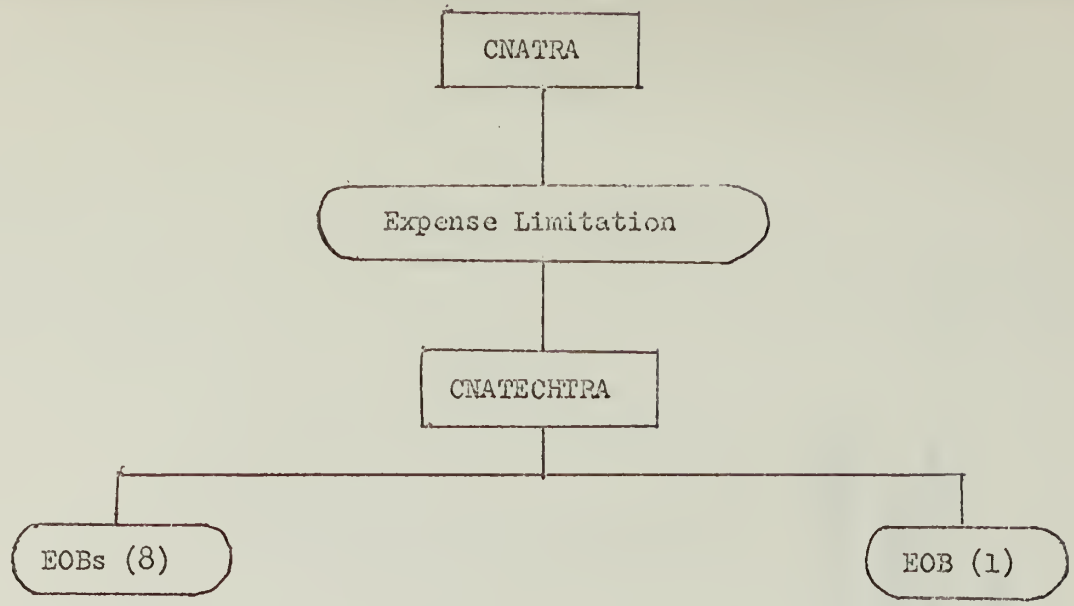
Figure 14

Naval Air Training Command
Pensacola, Florida

NATRACOM Fund Flow - CNATECHTRA

Source: Naval Air Training Command, RMS Handbook, Pensacola, Florida, January, 1968, p. 19.

NATRACOM FUND FLOW - CNATECHTRA



Responsibility Centers (EOBs)

NAS Glynco
NAS Memphis
NATTC Memphis (2)
NATTC Glynco (3)
NATTC Jacksonville (4)
NATTC Lakehurst (5)
NATTU Pensacola
NAMTRAGRU Memphis (1)

Cost Centers

Departments
(1) Detachments
(2) MAD Memphis
(3) MAD Glynco
(4) MAD Jacksonville
(5) MAD Lakehurst

Headquarters (EOB)

Cost Centers

Headquarters
NAVU AFAITC

Figure 15

Naval Air Training Command
Pensacola, Florida

OSD Revised Funding Concept

Source: Naval Air Training Command, RMS Handbook, Pensacola, Florida, January, 1968, p. 20.

NAVY RMS TEST

FUNDING

OSD "ORIGINAL" CONCEPT

ONE POT WITHOUT LIMITATIONS

TRADE OFF BETWEEN MATERIAL AND LABOR
OF ALL TYPES ENCOURAGED

OSD "REVISED" CONCEPT

THE OSD APPROVED OPERATING BUDGET FOR THE NAVY TEST STATED THAT NOT LESS THAN A STATED AMOUNT WAS AVAILABLE FOR MAINTENANCE OF REAL PROPERTY FACILITIES AND NOT MORE THAN A STATED AMOUNT WAS AVAILABLE FOR MILITARY PERSONNEL.

Figure 16

Naval Air Training Command
Pensacola, Florida

Navy RMS Test Funding Concept

Source: Naval Air Training Command, RMS Handbook, Pensacola, Florida, January, 1968, p. 21.

NAVY RMS TEST

FUNDING

NAVY CONCEPT

- Minor Construction
- Real Property Maintenance
  - Fence
- Utilities and General Engineering Support
  - Fence
- Disposal - Limitation
- APA Material - Limitation
- Military Labor - Limitation
- All Other - Limitation
- Anticipated Reimbursements - Limitation

Also subject to such constraints as civilian ceilings, military allowances, overtime and civilian substitution program.

The specific Project PRIME tasks assigned to CNATRA include the following: (1) Implement Navy Comptroller Resources Management Systems (RMS) handbook procedures (NAVSO P-3006); (2) Obtain approval and implement revisions to NAVSO P-3006 found necessary during the test; (3) Develop and implement Service Unit Concept for Aircraft Maintenance Department within CNABATRA; (4) Develop and implement Service Unit Concept for Transportation Cost Center, NAS Memphis; (5) Develop and implement mechanized performance review procedures; (6) Investigate feasibility of simulating accounting procedures to charge operating budget for depot level investment type repairables and aircraft; (7) Develop and implement Uniform Military Labor Distribution Procedure within the test command; and (8) Advise the RMS Test Director of revisions disclosed during the test that should be considered when developing Navy-wide procedures. The test period was set for one year starting 1 June, 1967 and ending 30 June, 1968.[1]

Activity costs are recorded and classified by means of a job order cost system which is integrated with a double entry, accrual accounting system. All operating costs are provided for in the operating budgets and are accounted for, including the costs of military personnel services and centrally produced expense-type material. Military personnel expenses are included in budget and accounting records on the basis of OSD prescribed standard rates.[2]

Reports on the results of operations are submitted monthly through command channels to CNATRA in the same classification structure as the operating budgets which authorized the incurring of expenses. Appropriation allocation accounting records are maintained for CNATRA at Navy Department level

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[1] Ibid., pp. 25-26.

[2] NAVSO P-3006, Financial Management of Resources, May, 1967, p. 3-5.

on the basis of monthly financial reports submitted by the various CNATRA functional commands. The office of the Chief of Naval Material is maintaining the accounts for the Chief of Naval Operations. External budget and appropriation status reports also are prepared by the departmental offices on the status of CNATRA's monthly financial reports.

Accounting for the forty-nine organizational entities which comprise the test command area has been satellited at the major Naval Air Stations within the Command; namely NAS Pensacola, Corpus Christi, and Memphis. Each accounting activity has a computer capability. It is already evident, however, that computer capability at all sites except NAS Pensacola will need to be expanded. Recognizing this as a potential problem area, a group at the Nav Compt level was formed to monitor systems and to develop additional equipment requirements as the test progresses and the actual live implementation deadline approaches.[1]

Expense reports are maintained at the activity level at a job order level. The job order contains data by functional category, element of expense, cost center, and any other level needed for both on station and off station reporting. Job order reports are furnished to local department heads on a periodic basis during the month. At the end of each month, a cumulative expense report is prepared for the grantor of the operating budget in the same format as the budget (by functional category, sub-functional category and cost account). In addition, a report of expenses by functional category, sub-functional category and element of expense is furnished to the office of the Comptroller of the Navy for the Navy Cost Information System. Expense data

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[1]RADM K. R. Wheeler, SC, USN, "Navy's Test of Project PRIME . . . A Case Study with a Purpose," Armed Forces Comptroller, January, 1968, p. 5.

is furnished by special reporting for disposal costs, military personnel services, and maintenance of real property.

Each activity receiving an operating budget submits an Expense Operating Budget Financial Report. The original is submitted to headquarters level for posting to ledgers which are the basis for preparation of the traditional appropriation status reports. A copy is submitted to the immediate command which issued the operating budget for management purposes. The report is prepared by fiscal year O&M symbol and contains all the financial data necessary for preparation of appropriation status reports to external authorities.

The results of the test during the first half of the FY 1968 indicate significant progress in purifying the systems for data accumulation and reporting. In addition, the managers unanimously agreed that Project PRIME has made them aware of problem areas that had previously gone unnoticed and unattended, e.g., costing of military personnel and transportation.[1]

As of this writing, the Project PRIME test progress is considered adequate for implementation system-wide by 1 July, 1968. However, it is not expected that all procedures will be completely developed by this date. Additional work will be required to allocate military personnel costs accurately and to refine quantitative output measures.[2]

The requirement now is to obtain approval of the systems in turn by the Department of Defense, the General Accounting Office and Congress by 1 July, 1968--no mean task.

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[1] Ibid., p. 8.

[2] Interview with Commander William H. Johnson, SC, USN, Project PRIME Test Special Assistant to the Director of Financial Services, Comptroller of the Navy, March 22, 1968.

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CHAPTER VI

SUMMARY AND CONCLUSIONS

Overview

This paper has examined the development of the modern budget system to illustrate the evolutionary changes that preceded Project PRIME.

In 1912, the Taft administration, through the Commission on Economy and Efficiency, stressed the importance of establishing a national budget system as an instrument of executive management and control. By the early 1920's, the pressure for federal reform resulted in the passage of the Budget and Accounting Act of 1921. During this period budget execution was control oriented. The first priority was a reliable system of expenditure accounts.

The next stage in budgeting came into the open during the New Deal and reached its zenith more than a decade later in the movement for performance budgeting. The management orientation, paramount during this period, made its mark in the reform of the appropriation structure, development of management improvement and work measurement programs and the focusing of budget preparation on the work and activities of the agencies.

The third stream of influence in the transformation of the budget function has been a closing of the gap between planning and budgeting by the emergence of the PPBS. The PPBS was first introduced in the Department of Defense in 1961 and into all of the Federal government in 1965. PPBS is planning oriented; the accent is on comprehensiveness and on grouping data into categories that allow comparisons among alternative expenditure mixes.

Chronologically, Project PRIME is a current effort by the Department of Defense to revise the programming system, the budgeting system, and the management accounting system so that they will be more useful to managers at all levels. The changes planned include: (1) Focus on operating resources as contrasted with investment resources; (2) Integration of programming, budgeting and management accounting; and (3) Charging operating expenses including costs of military personnel to organizational units.

The Department of Defense is thus concerned with overcoming long standing management deficiencies. Planning data are inadequate. They are suspect because they have no accounting foundation and are derived from arbitrary allocations. They are not comparable among departments. There is no way of assuring that the budget reflects program decisions, and no way of assuring the actual spending is consistent with planned spending.

During FY 1967 the Department of Defense conducted field tests to determine how to implement the expense accounting system. Although the Department of Defense was satisfied with their evaluations, Congress objected to the implementation. The actions of Congress were based on good reasons and not just to spite McNamara. They rightly viewed Project PRIME as too much too soon and required further large scale field tests.

The field tests conducted thus far in FY 1968 are promising and it now appears that Congress will allow full implementation for FY 1969.

Conclusion

Many systems of budgeting have evolved within the Federal government since its beginning. Project PRIME represents another effort to improve the state-of-the-art of management. The major question to be answered by this

study is whether Project PRIME will fully achieve the management improvements articulated by the Department of Defense.

The major contributions of Project PRIME at this time are: (1) An acute awareness of management resources responsibility at all levels of command; (2) Increased visibility to management of real costs; (3) Extension of budgeting responsibility and awareness to all levels; and (4) A better financial discipline and better business practices in day to day operations.

On the other hand, the present shortcomings of Project PRIME counter many of the advantages. The most significant constraints remaining are: (1) Centralized control of numbers, rates or pay grades of military personnel; (2) Civilian ceilings, controls, "bumping" privileges, and use of availability listings; and (3) Poorly defined output measurements.

Lesser difficulties include: (1) Inadequate staffing for analysts at field activities; (2) Overlapping management reports; and (3) Limited ADP capabilities at certain field activities.

From the foregoing, it is the author's opinion that Project PRIME has provided many significant benefits, but has not fully achieved all of the management improvements intended by the Department of Defense. Short of this, however, the new system does encourage managers to think about the cost of all the resources they use, it lessens the need for control of bits and pieces, and it shifts the focus of responsibility to the manager who uses resources as contrasted with the manager who supplies resources.

Overall, Project PRIME contains both good and bad, but the system does provide net benefits. Therefore, the Department of Defense is justified in adopting Project PRIME and they should hasten to improve the present deficiencies.

APPENDIX

NAVAL AIR STATION, QUONSET POINT, RHODE ISLAND

MANAGEMENT REPORTS

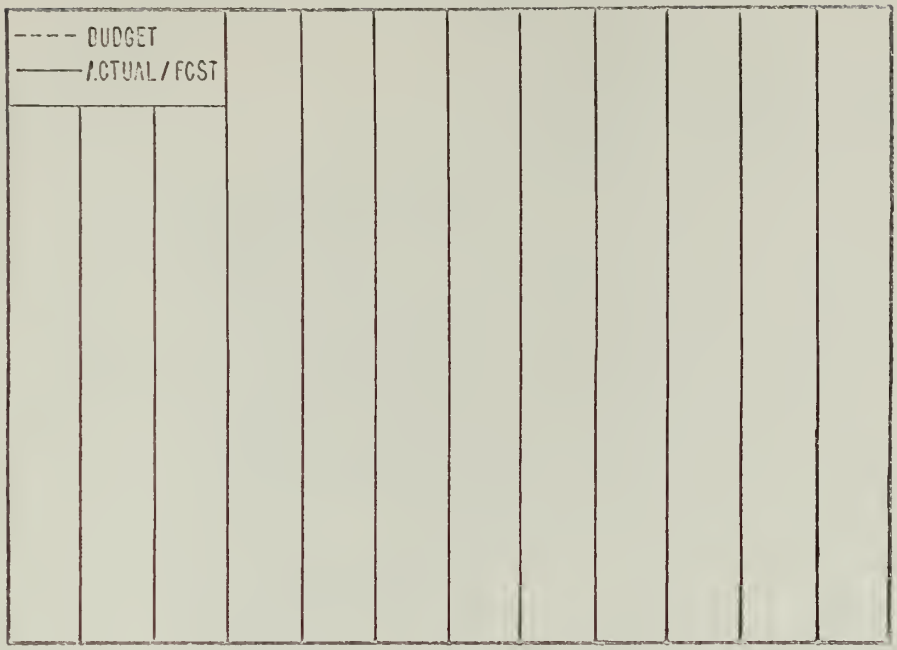
DEPARTMENTAL COST STATEMENT

Department: Aircraft Maintenance

Month: _____

Current Month Expenses			Year-to-Date Expenses			Cost Per Work Unit	
Actual	Variance		Actual	Variance	% Expended	Actual	Budget
		By Work Center					
		Administration					
		Quality Control					
		Material Control					
		Power Plants					
		Air Frames					
		Avionics					
		Armament Systems					
		Aviators Equipment					
		Support Equipment					
		Transportation					
		Military Lost Time					
_____	_____	Other	_____	_____			
		Total Incurred					
		Transfers/ Reimbursements					
_____	_____		_____	_____			
		Net Operating Expense					
_____	_____		_____	_____			
		By Cost Element					
		Military Labor					
		Civilian Labor					
		APA Material					
		NSA Material					
_____	_____	Serivces/Contract	_____	_____			
		Total Incurred					
_____	_____		_____	_____			
		Headcount: Civilian					
		Headcount: Military					
		Administration Rate					

NAS QUONSET POINT DEPARTMENT VARIANCE REPORT



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
BUDGET												
ACTUAL / FCST												
VARIANCE												
% EXPENDED												
BUDGET ADJUST												

COMMENTS

WORK UNIT PERFORMANCE

Location: _____ Month: _____

Current Month			Year to Date		Memo: Expenses Not Subject to Work Units
Actual	Indicated Variance		Actual	Indicated Variance	
		Command and Staff			
		Administration			
		Comptroller			
		Supply			
		Industrial Relations			
		Data Processing			
		Communications			
		Medical			
		Auxiliary Landing Field			
		Dental			
		Security			
		Air Operations			
		Aircraft Maintenance			
		Weapons			
		Public Works			
		Total			

Comments

HEADCOUNT ANALYSIS

Location: _____ Month: _____

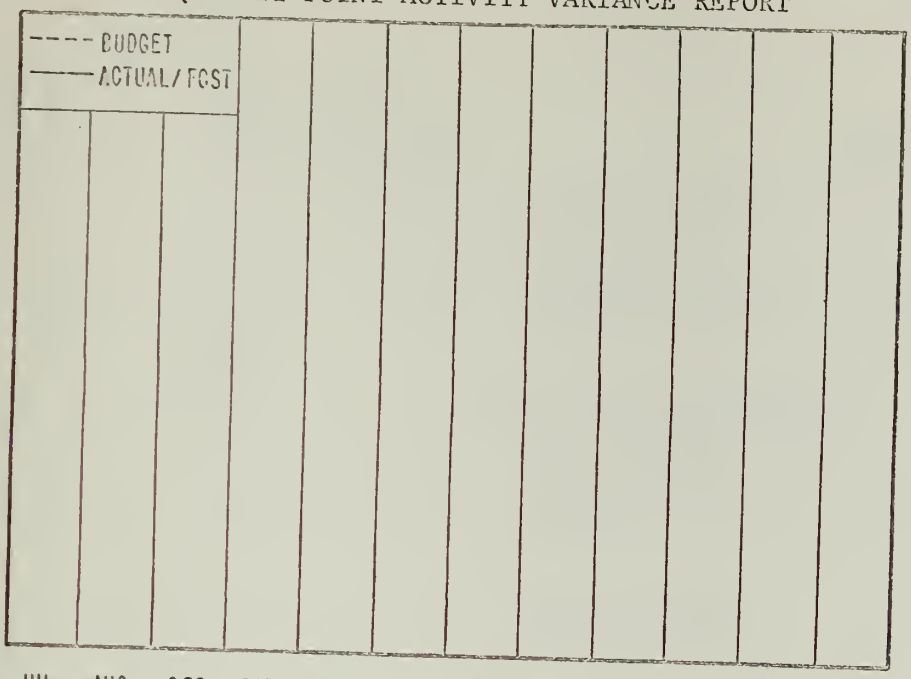
Total	Variance	Change from Last Year		Military Assigned	Military TAD	Civilian Admin.	Civilian Dir.	Civilian Inc
			By Department					
			Command & Staff					
			Administration					
			Comptroller					
			Supply					
			Industrial Relations					
			Data Processing					
			Communications					
			Medical					
			Auxiliary Landing Field					
			Dental					
			Security					
			Air Operations					
			Aircraft Maintenance					
			Weapons					
			Public Works					
			Total					
			By Category					
			Direct:					
			Shop Skilled					
			Shop Unskilled					
			Operations					
			Indirect:					
			Shop Clerical					
			Operations Clerical					
			Office Clerical					
			Professional					
			Administrative/ Supervisory					
			Total					

STATUS OF RESOURCES
By Department & Cost Element

Location:_____ Month:_____

Current Month			Year-to-Date			
Actual	Variance		Actual	Variance	% Expended	Memo: Total EOB Provision
		By Department				
		Command and Staff				
		Administration				
		Comptroller				
		Supply				
		Industrial Relations				
		Data Processing				
		Communications				
		Medical				
		Auxiliary Landing Field				
		Dental				
		Security				
		Air Operations				
		Aircraft Maintenance				
		Weapons				
		Public Works				
		Total				
		By Cost Element				
		Military Labor				
		Civilian Labor				
		APA Material				
		NSA Material				
		Services/Contract				
		Total Incurred				
		Transfers/ Reimbursements				
		Total				

NAS QUONSET POINT ACTIVITY VARIANCE REPORT



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
ACTUAL/FCST												
VARIANCE												

COMMENTS

STATUS OF RESOURCES
By Source

Location: _____ Month: _____

Expenses					Resources		
Current Month		Year-to-Date					
Actual	Variance	Actual	Variance		Provided	% Expended	Unexpend. Balance
				Air Systems EOB			
				EOB Funds			
				Reimbursables			
				Total			
				Facilities Engr. EOB			
				EOB Funds			
				Reimbursables			
				Total			
				Total Under EOB			
				Non-EOB			
				Overhaul & Repair			
				Stock Fund			
				Family Housing			
				Material Disposal			
				General Equipment			
				All Other			
				Total			
				Total - All Sources			

BALANCE SHEET & STATEMENT OF AVAILABLE RESOURCES

Location:_____ Month:_____

Balance Sheet

Current Month	Assets	Last Month	July 1
	Accounts Receivable:		
	Billed		
	Unbilled		
	Inventories		
	Plant & Equipment		
_____	Other	_____	_____
_____	Total Assets	_____	_____
	Liabilities and Investment		
	Liabilities:		
	Accounts Payable		
	Accrued Salaries and Wages		
	Accrued Fringe Benefits		
_____	Other	_____	_____
_____	Total Liabilities	_____	_____
	Investment Account:		
	Capitalization		
_____	Unexpended Resources	_____	_____
_____	Total Investment Account	_____	_____
_____	Total Liabilities & Investment	_____	_____

Statement of Available Resources

	EOB	Reimbursable	Total	% to Total Resources
Resources:				
Provided				
Anticipated	_____	_____	_____	_____
Total				
Expenses:				
Current Month				
Prior Months	_____	_____	_____	_____
Total				
Resources Available	_____	_____	_____	_____

CURRENT MONTH			
	Variance from		
Actual	Budget	Forecast	
			Funds Received
			Expenses
			Resources Available
			Spending Trend
			Headcount

YEAR-TO-DATE	
	Variance
Actual	from Budget

NEXT 3 MONTHS		
	Variance	
Forecast	from Budget	
		Funds Received
		Expenses
		Resources Available
		Spending Trend
		Headcount

FISCAL YEAR	
	Variance
Forecast	from Budget

LAST YEAR ACCOUNTED					
1st Q	2d Q	3d Q	4th Q	Total	
					Funds Received
					Spending Trend
					Headcount

CURRENT YEAR ACCOUNTED/FORECAST				
1st Q	2d Q	3d Q	4th Q	Total

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